

FINANCIAL TIMES



Europe's Business Newspaper

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China says Patten stance on reform ruined HK talks



China said yesterday that the decision by Hong Kong governor Chris Patten (left), to proceed unilaterally with electoral reforms, had ruined prospects for negotiations.

Mr Patten told Hong Kong's Legislative Council that he could no longer wait for agreement after 17 rounds of talks in Beijing on his reform proposals and that he would put "less contentious" parts of his plans to Legco on December 15. He said he had not broken off talks with Beijing. Page 14

Kohl's coalition under pressure: Chancellor Helmut Kohl's coalition of Christian Democrats and Free Democrats in Germany is facing unprecedented internal strife, amid open speculation about its ability to survive to the next general election, less than 11 months away. Page 14

EU urged over decision-making: Member states of the European Union should set up a two-chamber European parliament to improve democratic control of decision-making, according to an international report. Page 14

European stock markets: Frankfurt moved into record territory in spite of the Bundesbank signalling that there would be no further cut in interest rates this year. The DAX index closed 20.66 higher at 2,110.53. Zurich's SMI index added 12.9 to a second consecutive record close at 2,787.2 in continued response to better than expected economic data earlier in the week. In Paris the CAC-40 index ended up 6.47 at 2,160.45. In London, the FT-SE 100 index closed 9.3 off at 3,223.9 on profit-taking. London stocks, Page 28; World stocks, Page 36

Procter & Gamble, the US consumer products giant, is to take its first step into the \$5.5bn-a-year European market for toilet paper, kitchen towel and paper handkerchiefs with the acquisition of VP-Schickelanz, a leading German manufacturer of consumer hygiene products. Page 15

Germany to issue long bonds: Germany responded to demands from the international investment community when it announced plans for the issue of bonds with a maturity of more than 10 years for the first time in nearly eight years. Page 15; International bonds, Page 19

Dresdner profits up 16.2%: Jürgen Sarrazin, chief executive of the Dresdner Bank, Germany's second biggest bank, defended the German banking sector's right to make record profits amid the worst recession since the second world war after unveiling a 16.2 per cent rise in operating profits to DM1.6bn (\$940m) for the first 10 months of 1993. Page 16

Tokyo criticises US over cars: Criticism of the US approach to opening up Japan's market for foreign cars and car parts is mounting in Tokyo, as the two countries still remain wide apart on key issues in their bilateral trade and economic framework talks. Page 6

Britain to study M-way tolls: The British government is to push ahead with detailed studies of an electronic motorway tolling system which could be introduced by 1998, John MacGregor, transport secretary, said. He said the tolls could cost motorists £700m (\$1bn) a year if they were applied across the 2,000-mile network. Page 7

Oil prices fall: World oil prices fell on signs of a milder than expected northern winter and revived fears of a glut if the United Nations eases its Gulf war embargo on the petroleum exports of Iraq. London January futures for the world benchmark Brent Blend of crude oil fell as low as \$14.06 per barrel - close to last week's five-year low of \$13.97 - before trying to rally. Commodities, Page 24

SA businessmen back Mandela: Most of South Africa's senior businessmen would like to see Nelson Mandela, the African National Congress leader, as president of South Africa, and are overwhelmingly optimistic about the future, a survey shows. Page 4

Stoltenberg replaced: Thorvald Stoltenberg, the UN special representative for former Yugoslavia, is to be replaced as head of the UN Protection Force (Unprofor) by Yasushi Akashi of Japan, a UN spokeswoman said.

Fire at Bulgarian nuclear plant: A fire broke out at Bulgaria's Kozloduzh nuclear power plant but was put out and did not cause a radiation leak, the interior ministry said.

STOCK MARKET INDICES		STERLING	
FT-SE 100	3223.9 (-9.3)	New York lunchtime	
Yield	3.70	\$	1.484
FT-SE Europe 100	1374.18 (+8.64)	London:	
FT-A All-Share	1585.5 (-0.2%)	\$	1.4825 (1.4805)
Mixtel	17,458.75 (+333.44)	DM	2,5525 (2,5425)
New York lunchtime		FF	3,7975 (3,7825)
Dow Jones Ind. Ave.	3694.29 (-2.7%)	Sfr	2,2175 (2,2125)
S&P Composite	462.07 (+0.18)	Y	161.25 (160.75)
US LUNCHTIME RATES		E index	61.7 (same)
Federal Funds	3.1/4		
3-mo Treas. Bill: Yld	3.188%		
Long Bond	6.275%		
Yield	6.275%		
LONDON MONEY			
3-mo interbank	5.1/4 (5.1/4)		
Life long gilt future	117 1/2 (Dec 117 1/2)		
NORTH SEA OIL (Argus)			
Brent 15-day Jan	\$14.15 (14.47)		
GOLD			
New York Comex (Dec)	\$373.8 (374.8)		
London	\$374.95 (375.45)	Tokyo close	Y 108.45

Austria	5000	Germany	10000	Spain	10000	UK	10000	US	10000
Bahrain	10000	Hong Kong	10000	Italy	10000	Japan	10000	France	10000
Belgium	10000	India	10000	South Africa	10000	Canada	10000	Sweden	10000
Bulgaria	10000	Israel	10000	Switzerland	10000	Denmark	10000	Norway	10000
Cyprus	10000	Italy	10000	Finland	10000	Greece	10000	Turkey	10000
Czech Rep	10000	Japan	10000	Portugal	10000	Ireland	10000	Poland	10000
Denmark	10000	Korea	10000	Slovakia	10000	Lithuania	10000	Slovenia	10000
Egypt	10000	Latvia	10000	Malta	10000	Latvia	10000	Malta	10000
Finland	10000	Malta	10000	Malta	10000	Malta	10000	Malta	10000
France	10000	Malta	10000	Malta	10000	Malta	10000	Malta	10000
Germany	10000	Malta	10000	Malta	10000	Malta	10000	Malta	10000

Volvo drops Renault merger

By Hugh Carnegie and Christopher Brown-Humes in Stockholm and John Ridding in Paris

Volvo last night tore up its controversial plan to merge with France's Renault, prompting the resignation of Mr Pehr Gyllenhammar as chairman of the Swedish industrial group.

In one of the most dramatic days in Swedish corporate history, an unprecedented revolt by senior management forced the Volvo board to bow to shareholder pressure and pull out of the plan to create Europe's second largest automotive group.

Mr Gyllenhammar, who has led Volvo since 1971 and has been one of Sweden's leading industrialists, immediately announced his resignation, along with four other board members. They included Mr Raymond Levy, Renault's former chief and nominee on the Volvo board. Mr Gyllenhammar bitterly denounced his critics for having "turned their backs on Europe and the world". He warned that Volvo's three-

After senior managers revolt, Gyllenhammar quits and attacks critics for 'turning backs on Europe and world'

year-old alliance with Renault would be destroyed and the long-term survival of Volvo put in jeopardy. "The alliance will not remain. It will be dismantled by a Renault management who, understandably, has lost its confidence in Volvo. Volvo is right now a wounded company."

The board's decision followed a demand from Volvo's top management that the merger be dropped, co-ordinated in secret over the past two days by Mr Sören Gyll, the chief executive who was brought into Volvo last year by Mr Gyllenhammar.

Mr Gyll's move in turn followed a wave of opposition to the merger proposal from Volvo's Swedish institutional shareholders. The board said it had become clear that it was "very unlikely" the merger would be approved at a shareholders' meeting. This meeting, scheduled for next Tuesday, has now been cancelled.

■ Lex Page 14
■ Background Page 15
■ Foreigners take driving seat in Stockholm Page 36

Despite Mr Gyllenhammar's warning, Mr Gyll said he hoped Volvo would be able to overcome Renault's disappointment and continue the alliance.

Under the merger plan, Volvo would have placed all its core car and truck operations into a joint company with Renault. In exchange for a 35 per cent stake in the new company, Swedish shareholders, however, objected to what they saw as a takeover on unclear terms by a state-owned company.

Their objections were not countered by assurances from the French side that Renault would be privatised by the end of

next year and that a planned golden share would not be used to dilute Volvo's holding.

Mr Gyllenhammar, who strode alone into a press conference to announce his resignation, was dismissive of arguments that Volvo's vehicle operations could prosper on their own, a case fuelled in recent weeks by sharp upturns in Volvo's profits.

"Would a couple of positive quarterly reports and the prematurely published (October) result have changed Volvo's strategic position in the world automotive industry? This is of course not the case," he said.

Mr Bo Rydin, a leading industrialist who heads the forestry group SCA, is to take over as acting Volvo chairman pending the election of a new board.

Renault said in Paris it "deplored" that the merger had not been ratified. "It was justified in both economic and industrial

terms and was also fair from a financial standpoint."

It also sounded a pessimistic note about the prospects for the existing co-operation between the two groups. "The agreements established over the past three years remain in force but the alliance has lost its momentum."

Industry observers in Paris said that Renault would now consider whether to unravel its system of cross-shareholdings with Volvo - under which the Swedish group holds 20 per cent of Renault - and whether it should maintain joint management groups. A spokesman for Renault said it was too early to say what would happen on these issues.

The failure to ratify the merger is also a blow to the French government. Renault is one of the most important groups of 21 scheduled for privatisation and the Volvo merger had been regarded as a vital step. Renault said privatisation could still go ahead. But industry observers said the process would be complicated by the failure of the merger.

US and EU near farm trade deal

By Lionel Barber and David Dodwell in Brussels

The US and European Union appeared close to settling long-standing differences on international farm trade last night. However, negotiators fell short of the comprehensive bilateral market-opening deal needed for successful completion of the Uruguay Round of world trade talks.

The farm trade issue has dogged the round since it was launched in 1986. In prospect is a deal providing improved access for US and other farm exporters to Europe's market for grains, meat, dairy products and "other specialty crops".

Negotiators were also confident of satisfying French demands for amendment of the US-EU Blair House agreement regulating Europe's subsidised farm exports. Mr Mickey Kantor, US trade representative, said: "We are talking of an overall agricultural package that not only the EU, but every country in the Community can agree to."

Sir Leon Brittan, the EU trade commissioner, and Mr Kantor talked of "tangible progress" at the end of 36 hours of intensive negotiation in Brussels.

EU foreign ministers last night gave a positive response to Sir Leon's report on his talks with Mr Kantor, but asked for a second meeting on Monday.

Sir Leon said the plan was to

reach a comprehensive bilateral deal on Monday and for him to accompany Mr Kantor to Geneva to accelerate agreement between all the other parties.

Mr Kantor has now returned to Washington for further consultations with President Bill Clinton and the US Congress.

Key differences remain over US access to Europe's film and television markets, and on liberalising maritime services. US demands for better protection of its anti-dumping laws under the draft Uruguay Round agreement and its proposed amendments to the deal in financial services and taxation are also being fiercely contested by the EU and many other US trading partners.

Sir Leon last night reported on the outcome of the negotiations directly to a special meeting of EU foreign and trade ministers, where it was critically important that he won backing for the commitments already made to the US and the likely compromises that will have to be made.

Consensus that time is rapidly running out ahead of the December 15 deadline to complete a deal satisfactory to all 116 countries participating, Sir Leon acknowledged the "awesome responsibility" of the US and the EU to reach agreement.

He said Mr Peter Sutherland, director-general of the General



As sharp differences emerged over peace efforts in Northern Ireland, Sinn Féin president Gerry Adams (right, with councillor Martin McGuinness) said yesterday's killing by the IRA of a British soldier was the UK government's responsibility. Page 7

Japan agrees stimulus plan as recession concern grows

By William Dawkins in Tokyo

Japan's government was struggling to restore public confidence yesterday as worsening recession plus the resignation of a cabinet minister threatened to delay political reform beyond the year-end deadline.

The seven-party coalition agreed to launch early next week the fourth economic stimulus package this year. It will include ¥5,000bn to ¥6,000bn (\$46bn to \$56bn) worth of income and other tax cuts, a further reduction in bureaucratic controls, lower taxes on land sales and measures to stimulate the stock market, said governmental officials. Final details have yet to be settled, in particular how to fund the income tax cut, on which coalition members are deeply split.

The move is a clear sign that government concern over the economy, which has fallen to respond to record low interest rates and a boost to public spending, has reached a new phase.

The gross national product for the third quarter and the Bank of

■ OECD urges Japan to reform its finances Page 4
■ Editorial Comment Page 13

Japan's quarterly review of business confidence are to be published next week and both are expected to show deepening gloom. Today's annual report on Japan by the Organisation of Economic Co-operation and Development warns that growth prospects are not encouraging.

Recent falls in stock market prices have also reinforced the need for economic action. The government has had to give priority to a supplementary budget, needed to finance the previous spending package, at a time when it was hoping to be pushing political reform.

This makes it unlikely that Mr Morihiro Hosokawa, the prime minister, will get parliamentary clearance by the end of the year for plans to reform the corrupt electoral system, said officials of his Japan New party.

"We just don't have the time to worry about political reforms. Our immediate attention is on the economy, where the signs are very serious," said one official.

The government lost a valuable day of parliamentary business yesterday when Mr Katsuko Nakamichi, director-general of the defence agency - the Japanese equivalent of defence minister - created an uproar by calling for the pacifist constitution to be revised to allow Japanese soldiers to take a larger combat role under United Nations command.

It is unclear, however, whether Mr Hosokawa will be called on to carry out his threat to resign if the political reform bills miss his self-imposed deadline. The government still acknowledges the weight of Mr Hosokawa's promise to carry out political reform by the end of the year, said Mr Masayoshi Takemura, chief cabinet secretary.

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Row over packaging waste divides EU

By David Gardner in Brussels

European Union environment ministers were last night struggling to find a compromise on Europe-wide rules for dealing with packaging waste, after the Belgian presidency of the EU signalled it was prepared to see German-led insistence on ambitious recycling targets voted down.

Belgium has made it a priority to get through a directive on waste packaging, after complaints from eight member states that Germany's ambitious national waste recycling legislation has led to dumping of waste in neighbouring countries.

Germany does not have the capacity to meet its own targets, and its subsidised exports of waste are stifling efforts elsewhere to build up recycling industries.

France in June threatened a ban on German waste imports and other member states are warning of legal action.

Mr Ioannis Paleokrassas, the Union's environment commissioner, warned of a "real legal war" if the 12 could not agree common rules.

The stakes are high because if no decision is reached by today, the controversy is likely

to drift through the Greek presidency in the first half of next year, and be returned to only when Germany itself is in the EU chair during the second half of 1994.

The interim could be punctuated by acrimonious legal disputes. Moreover, unless the 12 reach a plausible consensus, the European Parliament, which under the Maastricht treaty could veto this directive, could further complicate the controversy.

According to Mr Tim Yeo, the junior environment minister, and French and German officials, Denmark - which along with the Netherlands sides with Germany on higher targets - was spearheading a filibuster likely to take negotiations throughout the night.

The German-led trio can, however, be outvoted under the EU's weighted majority voting system. Mr Yeo said the German camp's tactics "expose their opposition as flagrantly motivated by their national interests" and damaging to the environment as a whole.

The original Commission proposal had been for 60 per cent recovery of waste over five years, with 40 per cent recycling, and 90 per cent after 10 years, with 60 per cent

recycling.

The Belgian presidency compromise abandons the 10-year aim and suggests a 50-60 per cent recovery target, with a 30 to 40 per cent recycling obligation.

The latter would be an overall target for all waste, allowing, say, higher targets for paper and board if there were insufficient capacity to deal with plastic. But no waste material would be exempt from the recycling effort, with a minimum 15 per cent target.

The Germans, Dutch and Danes denounced the compromise as unacceptably "low and unambitious".

Negotiations were proceeding last night on French and British suggestions which would allow the "greener" member states to set higher targets if there were no resulting trade and single market distortions of the type already caused by Germany.

Those who wanted higher targets would also have to demonstrate they had enough reprocessing capacity to deal with a high portion of it, which officials were last night trying to define, in negotiations parallel to the ministerial discussions.

"It would be a great mistake to allow for strict targets if these facilities are lacking," Mr Paleokrassas warned.



Disillusioned with the corrupt ruling centre parties, voters in Rome turned to the bright young MSI leader, Gianfranco Fini, and in Naples to Il Duce's granddaughter, Alessandra Mussolini. The pair now face run-offs against left-wing candidates.

Neo-fascists set sights on Rome

Seventy years after Il Duce marched on the Italian capital, the right-wing MSI party hopes Sunday's city election will catapult it to national prominence, writes Robert Graham

Italian politics have been electrified by the prospect of Naples and Rome falling under the control of a party inspired by the fascist ideals of Benito Mussolini.

The neo-fascist MSI (Italian Social Movement) has a modest chance of winning the elections for mayor in both cities in Sunday's second round runoff. If it does, this would represent the biggest single electoral gain by a right-wing nationalist party in Europe in three decades.

However, the sudden swing to the MSI is likely to be a temporary phenomenon. It is the product of the collapse of the centre parties and the absence of alternatives other than the Left. The party itself is ill-equipped to cope with success. To maintain its momentum it would have to tone down its intemperate rhetoric, weed out some of the uglier elements in its ranks and forge links with known moderate voices on the right.

Part of the party's success is due to Mr Fini, a 40-year-old former journalist who took control of the MSI in 1987.

Ambitious, street-wise and an effective public speaker, Mr Fini has polished the party's image with more moderate talk. Born seven years after the execution of Il Duce, he describes himself as a "post-fascist". He chose to stand for election in Rome, where the

party has frequently joined forces with Christian Democrat elements, as a launchpad to project the party nationwide. Until these elections the MSI had remained a noisy minority party, averaging about 5 per cent of the vote in general elections since 1953.

Traditionally the party has been strongest in southern Italy and among what has been sometimes called the "clerk class". Since the end of the 1960s the party has also absorbed the Monarchists, giving the current full name MSI-DN (Destra Nazionale - National Right).

The party has never distanced itself from the fascist regime's excesses. Alessandra Mussolini is open in her admiration for her grandfather and exploits his name. (A family detail is that her famous aunt, actress Sophia Loren, has not publicly supported her candidacy.)

The MSI actively celebrates the anniversary of Mussolini's march on Rome in 1922 that paved the way for his assumption of absolute power. MSI literature is tinged with law and order metaphors and by Italy's tolerant standards is both

racist and homophobic. In the 1960s and 1970s, elements of the party were linked to right-wing terrorism. More conservative members of the military also tend to gravitate towards the party.

Against this, the MSI has been fully accepted as a parliamentary party since 1988. In parliament MSI deputies are extremely active and vociferous. Their concerns have ranged from defence issues to budgetary discipline. Unlike other extreme-right parties in Europe, the MSI still formally espouses the state corporatism pioneered by Mussolini.

Most commentators agree that the sudden swing to the MSI has little to do with its policies. Especially in Naples and Rome, voters have deserted the Christian Democrats, Socialists, Social Democrats and Liberals in protest at the corruption they practised while running the country. The MSI itself has been caught in the scandals, but in a lesser way which has not damaged its image.

But this is not simply a protest vote. Many voters see in the MSI a new source of patronage. In the specific case of Rome, Mr Fini has won support because he looks a more

decisive figure than his rival, who seems too much under the wing of the PDS. Surprisingly, little propaganda has been made of the more unsavoury MSI elements standing for the council. This may yet prove Mr Fini's weak point in Rome.

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French link pension reform to privatisation

By John Riddling in Paris

The French government is to introduce legislation to reform the country's pension system, including introducing pension funds, by next spring, Mr Edmond Alphandery, the economy minister, said yesterday.

The reform would aim to ease the burden on the state pension system.

It would also provide a new channel of investment for the stock market and assist the

government's ambitious privatisation programme.

"As long as privatisations are important, our country must have funds which have a large part of their holdings in shares," Mr Alphandery said, referring to the government plans to sell 21 publicly-owned companies over the next five years.

The state pension system is currently under strong pressure as contributions from the workforce fall short of requirements for the country's

ageing population.

Pension reform would also form part of the government's plans to divert funds from the short-term money market into the corporate sector.

"French companies have suffered from the tendency to invest in the money market rather than in stocks," said one banker.

"Reform of the pension system is long overdue" he added.

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NEWS IN BRIEF

Bosnians say talks close to collapse

The Bosnian government said yesterday that talks on the republic's ethnic partition were on the brink of collapse because the Serbs had failed to make territorial concessions, writes Laura Silber in Geneva.

After a series of bilateral meetings on the two-way division of Sarajevo with their Bosnian Serb adversaries, Mr Mohamed Sacirbey, Bosnia's ambassador to the United Nations, said "it seems that the Serbs are not willing to give anything". However, Mr Radovan Karadzic, Bosnian Serb leader, said they were close to a settlement on the capital.

Michael Littlejohns adds from the UN: Mr Thorvald Stoltenberg, co-chairman with Lord Owen of the conference on former Yugoslavia, is being relieved of his other responsibilities as special representative of the UN secretary general. He will be succeeded by Mr Yasushi Akashi, whose direction of the recent UN peacekeeping operations in Cambodia was widely praised.

A spokesman said Mr Stoltenberg's involvement in peace negotiations left too little time to discharge the duties of UNPROFOR chief of mission and special UN representative.

Former Italian spy chief held

Mr Maurizio Broccolotti, former head of Italy's domestic intelligence services, was arrested yesterday in Monte Carlo on an international warrant for alleged misuse of the organisation's funds, writes Robert Graham in Rome. Proceedings are under way for his extradition.

In another development, lawyers acting for Mr Franco Bernabè, head of Eni, the Italian state oil concern, said yesterday they would institute libel proceedings against Mr Alberto Crocchi, a former senior executive. Mr Crocchi claimed in a Milan court that Mr Bernabè had received a £75m (\$4.2m) pay-off in the Enimont affair - the reorganisation of the petrochemical industry between Eni and Feruzzi-Montedison.

Cabinet changes in Portugal

Portugal's prime minister, Mr António Cavaco Silva, appointed new ministers of finance, health, education and employment yesterday, Reuter reports from Lisbon.

The new finance minister is Mr Eduardo Almeida Castro, a little-known economics professor. He replaces the highly unpopular Mr Jorge Braga de Macedo, who has presided over a slowdown in Portugal's once booming economy, growing unemployment and a mushrooming budget deficit.

Irish industrial output rises

Irish industrial output rose a seasonally adjusted 2.7 per cent in August after a 5 per cent increase in July, Reuter reports from Dublin. Manufacturing production rose 1.2 per cent after a 4.9 per cent increase last month.

TV subsidy

The French government has earmarked a subsidy of FF20m (\$3.2m) for the troubled five-language Euronews television news channel in its supplementary budget for this year, Reuter reports.

Nato closer to military co-operation with eastern Europe



Nato conclave. In Brussels yesterday were (from left) Manfred Wörner, Nato secretary general, Luxembourg foreign minister Jacques Poos, Niels Helveg Petersen, his Danish counterpart, and US secretary of state Warren Christopher

The North Atlantic Treaty Organisation yesterday moved closer to agreeing concrete plans for military co-operation with eastern European countries, amid a consensus that the alliance was not yet ready for the admission of new members, writes David White, Defence Correspondent, in Brussels.

Mr Warren Christopher, US secretary of state, said countries actively involved in the "partnership for peace" agreements proposed by Washington should have permanent representatives at Nato and join a special planning cell at Mons in Belgium, the site of Nato's European military headquarters.

At a Nato foreign ministers' meeting he said eastern European partners would train and exercise with Nato armies, and develop common military stan-

dards and procedures. Joint action could include peacekeeping and humanitarian missions.

Nato officials said the US proposal, due to be formally endorsed at an allied summit next month, received strong backing from the 16 allies. But at the same time there was unanimity that enlargement of the alliance was "not on the immediate agenda".

In a bid to soothe Russian suspicions about an expansion of Nato to former Warsaw Pact countries, Mr Douglas Hurd, British foreign secretary, emphasised the need for "a strong relationship" between Nato and Moscow.

Although the new plan is aimed at all countries of the former eastern bloc, the UK is understood to oppose forming a partnership agreement with Ukraine until it joins the Nuclear Non-Proliferation

Treaty. Allies have yet to agree on which other European countries may be included in the plan and on how partner nations would consult Nato in a crisis.

Mr Christopher said eastern European states would be expected to finance their involvement, but "some new Nato resources" would be needed. He added that the agreements "could be a key step towards Nato membership".

Allies also backed a US proposal for Nato joint task forces to be formed for peacekeeping and other missions outside alliance territory.

These task forces would include units from France and Spain, which do not belong to Nato's integrated military structure.

More detailed plans are due to be ready by next month.

Repo rate cut Parties try to fan east's fading fires by cautious Bundesbank

By David Waller in Frankfurt

The Bundesbank surprised European financial markets yesterday by announcing a quarter of a percentage point cut in the securities repurchase agreement, the "repo" rate which determines money market interest rates, without delivering cuts in the "official" Lombard and discount rates.

Meeting for the penultimate time this year, the bank's policy-making council fixed the repo rate at 6 per cent for the next five weeks, down from 6.25 per cent.

Although markets were initially disappointed at the decision not to trim the internationally sensitive discount rate, the repo rate cut was enough to trigger easing in other European countries.

The Dutch and Belgian central banks announced they would cut rates from today. Dutch official rates will be cut by a quarter of a point and Belgian rates by between a quarter and half a point.

In Germany, economists said the move to maintain the repo rate at 6 per cent over the five weeks to January 5 maintained the momentum of cuts in German interest rates while still signalling caution about the

pace of monetary easing.

"It shows very clearly that the will to cut interest rates further is very strong," said Mr Adolf Rosenstock, chief economist of the German arm of the Industrial Bank of Japan. "On the other hand it indicates that they have no wish to endanger their credibility as they may have done with a large cut in the discount rate."

Mr Kermit Schoenholtz, at Salomon Brothers International in London, said the move "sets the stage for another official rate cut, most likely in early 1994 if not before".

The move comes against a background of slowing inflation and economic stagnation in Germany, conditions conducive to further rate cuts. The rate of growth in broad money, the M3 indicator watched as an indicator of inflationary developments, is slowing but is still outside the target range.

The Bundesbank's policy-making council will set its target for M3 growth at its meeting on December 16. In November, M3 grew at an annualised, seasonally adjusted rate of 6.8 per cent, above the central bank's 6.5 per cent ceiling. See currencies and money page

Political parties in the east German state of Brandenburg may disagree with one another on many issues, but one concern unites them: fear of a low turnout in next Sunday's local government elections, the first since unification. More than 30 per cent of the electorate have yet to decide which party they will vote for - or even if they will vote at all.

"You would imagine people would jump at the chance to vote," says Mr Thomas Klein, general secretary of the opposition Christian Democratic Union.

His party needs all the votes it can muster. A recent opinion poll gave it only 9 per cent, compared to 29.4 per cent in 1990's state elections. The Free Democrats, the CDU's junior partner in the Bonn coalition, is expected to get a miserable 3 per cent, compared to 8.6 per cent in 1990.

"These polls, and the election results, are a signal for the way in which eastern Germany could vote in next year's state and federal elections," says Mr Klein, who helped organise the CDU's 1990 campaign in Brandenburg. Social Democrats in Brandenburg, the only one of the five eastern states the party controls, are expected to win 36 per cent of the vote, slightly less than in 1990. But party activists are taking no chances. Election posters drum home the message: "We call on

all citizens to participate." Mr Manfred Stolpe, Brandenburg's prime minister and an east German, keeps returning to this theme in his speeches: "Voting matters. It will strengthen democracy. If you throw away your vote, others will make the decisions."

What has compounded the

Candidates for election are hard to find

fear of a poor turnout is the low level of political participation. "Here in Brandenburg, elections cannot be held in one in five local communities and councils because we can't find a candidate. Nobody wants to stand," says Mr Klein.

"There are all sorts of reasons for this strange phenomenon," he adds. "People were forced to participate politically over the past 40 years. Many aspects of their lives were politicised." This party explains low membership of political parties. The SPD has 6,000 paid-up members, the

CDU 11,500, Free Democrats 3,000, Greens 750, and the Party of Democratic Socialists (PDS), or reformed Communists, has 20,000, 90 per cent of them former Communists.

Mr Wolfgang Thierse, an east Berliner and a senior member of the SPD, says: "This is a worrying trend. We are finding it difficult to create new, local political elites, not only in Brandenburg but throughout eastern Germany. It will take time. But the political parties themselves must work harder at local level."

What worries the established parties is that a low turnout will play into the hand of the PDS. It is not that they expect a return to Socialist-dominated governments, even at the local level. "What it means," says a senior SPD official, "is that the PDS could have a bargaining position when it comes to forming coalition local government councils, and that's a slap in the face for the centre and the old state quo. Unless the CDU and SPD join forces."

Indeed, the PDS, which inherited the Communist party's organisation and structure, might even take Potsdam, the state capital, from the SPD.



Says Mr Lothar Nicht, PDS party manager in Brandenburg: "People all know us. We are all locals." More than 90 per cent of the party's 23,000 paid-up members are former Communists. In Mr Nicht's view there is no need to defend his party's record before unification. "The PDS has now broken with the past."

The far right, consisting of the Republicans and the Democratic League, have only eight candidates standing in three towns. "We don't expect them to play a big role," says Mr Klein. But officials across the

political spectrum say the inhabitants of these towns, which include Eisenhüttenstadt, whose loss-making steel mill threatens further redundancies, and the lignite mines near Cottbus, could be vulnerable to the populist slogans of the extreme right and the PDS.

According to Ms Petra Weislog, spokeswoman for the Greens/Bündnis 90: "People don't trust the politicians... They are also disappointed with unification, especially the high level of unemployment. They do not have much of a perspective. They have other things to think about besides listening to politicians who cannot deliver on their promises." Brandenburg's unemployment rate is nearly 20 per cent.

"Why should we trust anyone?" asks Mr Horst Wegner, a 39-year-old lorry driver. "Look at those Wessis (westerners) running Saxony-Anhalt, and fiddling their expenses. They don't need the money. And we don't need them. If I bother to vote, it will be for one of us, and none of those Wessis." Whether that meant voting for the far right, the PDS or Mr Stolpe, he would not say.

Smoke of battle masks gains for EU contenders

David Gardner on the stormy membership talks

Uproar among the four countries negotiating entry to the European Union over the Commission's plans to deal with their higher farm subsidies is obscuring the benefits of the proposed scheme for both sides - as Brussels officials anticipated and some negotiators for the four applicants are coming to realise.

The Commission last week said it wanted to align farm prices in Austria, Sweden, Finland and Norway with EU levels immediately they enter the Union. Agriculture subsidies among the four applicants range from 25 per cent higher than EU prices in Austria, to nearly 100 per cent more in Norway. The difference would be paid through direct compensation to farmers, with the bill picked up by the applicant

countries, the Commission says.

The sensitive farm issue could make or break the accession negotiations, especially for Finland, Austria and Norway. All the applicants insist on special treatment for their Arctic and Alpine farmers for a mixture of social, national security, cultural and environmental reasons as much as for economic considerations. The Nordic countries, in particular, are determined to keep as much of their population as possible in their empty and inhospitable northern territories, through lavish farm and regional subsidies.

With the partial exception of Sweden, which has already brought its farm subsidy regime closer to EU levels, the applicants reject EU suggestions that alignment should be immediate and that they alone should pay their farmers the difference without help from the Union budget.

The row has already swung Finnish public opinion marginally against EU entry (41 per cent opposed, 36 per cent for and 23 per cent undecided) for the first time since the Danes rejected the Maastricht treaty at their first referendum on it in June 1992. This turnaround is particularly alarming because Finland is the only one of the four countries which EU negotiators were practically certain would get entry past its voters.

Yet negotiators on both sides in Brussels seem hardly fussed by the controversy, and there are good reasons why.

Neither the Commission nor the Council of Ministers of the Twelve could have been expected to go into a negotiation essentially about money by proffering a cheque up-front. Senior EU officials know full well that the Brussels budget will have to pick up a portion of the farm compensation costs - estimated at Ecu2.2bn (£1.7bn) for the four countries as a whole. The only question is how much, and that will be

for negotiation, in relation to how much the four rich applicants put into the EU budget.

As things stand, taxpayers and consumers in the applicant countries foot the entire bill for their expensive food. Under the Commission proposal, consumers stand to gain from lower prices, and treasuries will gain from an EU subvention, however much it is.

The four applicants and the Twelve had nothing to gain from the alternative scheme, used in all previous European enlargements. This was to iron out all price differences through levies raised at the border until alignment was completed. But that route, defended by DG6, the Brussels agriculture directorate, requires the retention of borders for the new entrants, and would compromise the EU's single market.

Moreover, if the Uruguay Round is concluded this month, the four applicants will have to cut their level of farm subsidy by about a third over the next six years. The Commission's proposal for direct compensation payments to farmers - exempted from the GATT cuts under last year's EU-US Blair House accord - would by contrast protect Nordic and Alpine farmers' incomes from the cuts, Brussels officials say.

These arguments, in the Brussels view, should be saleable to the applicant countries' electorates. In presentational terms, a persistent worry throughout the accession negotiations has been that applicant governments would be seen as selling out their national interests if they fell in too readily with EU requirements.

The way the farm subsidy controversy has now been set up should suit their purposes: not only will they almost certainly win tangible concessions, but they will be seen to have given battle and to have won.

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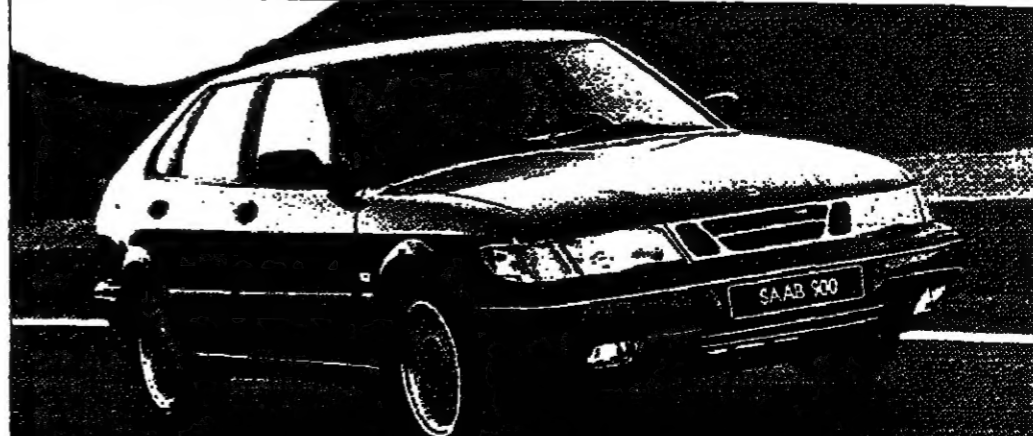
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Right-wing settlers man a burning barricade on a road to the West Bank yesterday in protest at the killings of two Israelis

PLO wants US help in talks

By David Horowitz in Jerusalem

Just a week and a half before the scheduled start of Israel's troop withdrawal from the Gaza and Jericho areas, the Palestine Liberation Organisation yesterday called on the US to help break the impasse in autonomy negotiations, warning that the December 13 deadline for the start of autonomy was "sacred".

Israeli officials, by contrast, strenuously played down any talk of a crisis, with Prime Minister Yitzhak Rabin insisting that a delay of a few weeks would not be too serious, and reiterating Israel's commitment to completing its

military pullout by next April. Crucial autonomy questions - concerning the size of the Jericho autonomous region, how the army will redeploy in Gaza to protect Jewish settlers there, responsibility for border crossings, and more - have yet to be resolved at the Cairo Israeli-PLO negotiations.

Mr Nabil Sha'ath, chief PLO negotiator, left the Egyptian capital yesterday for Tunis declaring the Israelis were deliberately angling for an 11th-hour deal "in an attempt to reap the maximum benefits".

Mr Sha'ath said the Cairo talks would resume on Sunday. He also claimed that Mr Rabin and Mr Yasser Arafat, PLO

chairman, had agreed to meet on December 12 to finalise the autonomy deal. In Israel, there was no confirmation of this. The PLO's appeal for American intervention, which came at the end of a two-day leadership meeting in Tunis, may well be answered. Mr Warren Christopher, US secretary of state, is due to begin a Middle East visit today. Mr Sha'ath said Mr Christopher would meet Mr Arafat in Amman on Monday, and again in Tunis later in the week.

In the occupied territories themselves, meanwhile, Israeli troops shot and wounded two Palestinians in a car near Gaza City. Hundreds of Jewish settlers rioted in the Arab West

Bank town of Hebron, firing shots into the air and smashing houses and car windows. Settlers also blocked many West Bank roads early in the morning, in demonstrations that followed Wednesday's killing of a Jerusalem kindergarten teacher on the main road of the West Bank town of al-Birah. Three other Israelis were also shot in the same incident, and one of them, Yitzhak Weinstein, died of his injuries yesterday.

He was the 15th Israeli killed since the Israeli-PLO Declaration of Principles was signed in Washington on September 13. More than 30 Palestinians have been killed in the same period.

Patten bears in mind where his popularity comes from

Simon Holberton on limits to governor's room to move

If there was one thing which came out of Governor Chris Patten's speech to Hong Kong's Legislative Council yesterday it was the attention he and his top advisers pay to public opinion in the colony.

Hong Kong's willingness to stick by Mr Patten, in open opposition to China's wishes, has become a limiting factor on the governor's room to manoeuvre and partly explains why yesterday he said he would be introducing only part of his democracy plans on December 15, leaving the more contentious issues to a later bill.

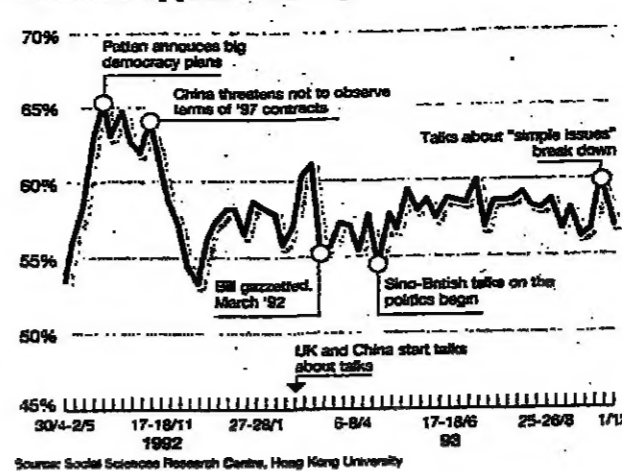
The governor told LegCo his administration would introduce a bill to:

- lower Hong Kong's voting age to 18 from 21 years;
- abolish appointments to local government so that elections for district boards and municipal councils would be conducted on a fully democratic basis in 1994 and 1995;
- allow Hong Kong delegates to "people's congresses", the mainland's rubber-stamping legislature, to stand for election in Hong Kong;
- legislate for a third of LegCo's 60 seats to be drawn from 20 single-member constituencies.

Mr Patten is fond of pointing out that his colleagues in the British government would die for his popularity ratings. But this disguises a shrewd calculation: that a Hong Kong governor's popularity is only skin deep, especially just 3½ years away from the assumption of Chinese sovereignty.

The governor admitted as much when asked what he would put in this yet-to-be-drafted second bill. Would it be his original 1992 proposals for broadening the democratic

Patten's approval rating



Source: Social Science Research Centre, Hong Kong University

franchise, or the compromise offer made during talks at which he backed away from those plans?

"We've got to try to find the broadest ground on which to pitch our tents," he said.

His close aide on constitutional matters, Mr Michael Sze, secretary for constitutional affairs, stressed this point when commenting on why Mr Patten had decided to wait 11 days to table the first bill.

"As a local citizen of Hong Kong, I think the community, especially in light of its reaction to March 12, would expect us to act in a measured manner," he said.

This is a reference to the momentary evaporation of public support when Mr Patten went to the wall last March for Hong Kong representation - especially Mr Sze's - at bilateral talks about the colony's political future. Opinion polls showed that if faced with a choice between representation at the talks or negotiations,

Hong Kong's community would choose the latter.

China has told Britain that it will break off talks about Hong Kong's political development if Mr Patten tables his first-stage bill. Such a threat will no doubt unsettle public opinion, but on these narrow issues Beijing's threats are unlikely to persuade LegCo members not to support it.

So Mr Patten can feel relatively confident that he has this support. There is no political party in LegCo with a representation greater than two members that opposes these measures.

Conservative members, notably those aligned with the Liberal party, will no doubt come under pressure from the Xinhua news agency, Beijing's bulwark in the colony, to oppose the governor's bill. But Mr Allen Lee, the Liberal leader, has said publicly too often that his party supports the measures contained in the first-

stage bill for them to back down.

Beijing will also run the risk of looking wholly unreasonable if it opposes the first bill, especially given that it allows Hong Kong delegates to its own National People's Congress and other congresses to serve on LegCo. Hong Kong law currently prohibits those serving in a legislature of another territory from standing for public office.

Where Mr Patten's difficulties will lie, and where China's influence in LegCo is predominant, is on measures which will be included in the second bill, which goes to the heart of Mr Patten's attempt to increase democracy in Hong Kong. These concern broadening the franchise in LegCo's 30 "functional constituencies" (industry votes) and possibly on the structure of an election committee that will nominate 10 members to the 1995 LegCo.

However, Beijing's "velled" threat yesterday to harm Hong Kong's economy will unsettle the stock market. And in the coming weeks the governor may find that he receives indirect support from a source that is usually opposed to his plans: the business community.

Many of China's advisers are leading tycoons in the colony; many of the children of China's most senior leaders have, or manage, large family investments in Hong Kong. This coalition of forces opposes what Mr Patten wants to do, but it also has a keen sense of its and China's economic self-interest.

The business lobby has proved powerful in the past in staying the hand of those in the Chinese leadership who might have been tempted to act before they think it may yet prove successful again.

Business favours President Mandela

By Philip Garwin in Johannesburg

Most of South Africa's senior businessmen would like to see Mr Nelson Mandela, the African National Congress leader, as president of South Africa, and they are overwhelmingly optimistic about the future.

These are the somewhat surprising findings of a survey of top business people conducted last month for the South African Chamber of Business, the Weekly Mail and Guardian newspaper, and the South African Broadcasting Corporation.

Professor Mark Orkin of the Community Agency for Social Enquiry, who conducted the research, said it showed top business figures "have already embraced the political future and are optimistic about the business prospects heralded by an ANC-led government".

The core finding is optimism

about the future, with 85 per cent of respondents predicting a optimistic future for their children or grandchildren.

In the short term, 87 per cent of respondents felt the outlook for business was improving and 71 per cent felt it would improve further after the election. The main reason offered for short-term optimism was the increased certainty and stability that would follow an election.

A surprising finding was that 68 per cent of respondents said they would "most like" Mr Mandela for president. This compared with 32 per cent for President F W de Klerk and no support for Chief Buthelesi, leader of the Inkatha Freedom party.

Another person to get the thumbs-up was the finance minister, Mr Derek Keys, with 88 per cent of the sample saying he should stay in the job under a new government.

Aideed to attend talks

By William Dawkins in Tokyo

Somalia's most powerful warlord, Mohammed Farah Aideed, gave a big boost to peace hopes for his shattered country yesterday by ending a boycott and flying to talks with his main rival, Reuter reports from Addis Ababa.

Gen Aideed, who had said he would not attend because he feared the United Nations or the US might arrest him, arrived in Ethiopia aboard a US aircraft for talks that will include his arch-foe, Ali Mahdi Mohammed.

A UN spokesman in Somalia told reporters Gen Aideed agreed to attend the talks after the US, whose troops had scoured Mogadishu to try to arrest him, assured him his life would not be in danger.

Keating seeks to end Mahathir row

Mr Paul Keating, Australia's prime minister, yesterday sought to defuse the row between Australia and Malaysia, by writing to Dr Mahathir Mohamad saying his recent description of the Malaysian leader as "racist" was not calculated to give offence, Nikki Tait writes from Sydney.

Mr Keating made his remarks in response to questions about Dr Mahathir's non-appearance at the recent Apec leaders' summit in Seattle. Since then, the affair has got worse. Last weekend, Malaysia banned Australian television programmes and commercials; this week, it stopped future government scholarship holders from going to Australia.

W Australia defiant

The Western Australian government yesterday passed its rebel land rights legislation - putting it on a direct collision course with the federal government, which is still trying to get its own native title bill through the Senate, Nikki Tait reports.

OECD urges Japan to reform finance

By William Dawkins in Tokyo

Japan must make radical financial reforms and curb regulations that cause artificially high prices if it is to achieve sustainable non-inflationary growth.

A gradual rise in taxes and social security contributions will also be needed to prevent an explosion of public debt, as an ageing population drains the social security budget and reduces government income tax revenues.

These are the sobering conclusions of yesterday's annual report on Japan by the Organisation of Economic Co-operation and Development, which adds intellectual authority to Prime Minister Morihiro Hosokawa's attempts to achieve deregulation against resistance from powerful vested interests.

It also backs up the Finance Ministry's campaign for a wide-ranging tax reform to spread the burden of income tax more widely and to obtain a greater share of tax revenues from consumption tax.

Like the Japanese government, the OECD was wrong-footed by the strength of the recession. The report predicts zero growth in gross domestic product this year, down from

JAPANESE ECONOMY Annual % change				
	1991	1992	1993	1994
Gross domestic product	4.1	1.3	0.0	1.4
Consumer prices	3.2	1.6	1.0	0.3
Industrial production	2.1	-5.1	-4.0	1.1

Source: OECD

its original 2.5 per cent growth forecast, and forecasts that the economy will grow by 1.4 per cent in 1994.

But since the report was compiled in September, OECD officials have downgraded their forecasts again, to less than zero growth this year and well below 1 per cent next. "Developments since the preparation of the report have been significant," said Mr Kumi Shigehara, the OECD's chief economist, yesterday.

Unlike previous recessions, this one was caused by domestic upsets - the unsustainable asset price and investment boom of the late 1980s - which take time to put right, says the report. The yen's unexpected strength this year added a new shock.

Unemployment will rise from 2.5 per cent this year to 2.9 per cent next, while inflation will slow from 1 per cent this year to 0.4 per cent, forecasts the

OECD. The balance of payments surplus, will peak at a record \$140.8bn (\$94.8bn) this year and recede slightly to \$139.7bn in 1994.

US pressure for numerical import targets to reduce the surplus is dangerous because such targets would encourage cartels and distract efforts to deregulate and boost competition in sheltered industries, the OECD warns.

The weakness of the banking system, hit by the need to write off a growing pile of bad debts, has not so far proved a serious restraint on recovery, because demand for credit has been even weaker than supply, despite the Bank of Japan's cuts in the official discount rate to new lows. But the OECD fears the banks' cost of own funds could rise as they exhaust sources of capital, so driving up corporate finance costs.

A sustained stock market

rise would relieve the squeeze on the banks' capital base. One answer would be to make the stock market more attractive to individuals by improving corporate disclosure, increasing dividends and deregulating commission rates, says the OECD.

The key to stimulating domestic demand - set to grow by a mere 0.1 per cent this year - in the medium term is to sweep away regulations that distort land, housing and food prices. This would also help to reduce Japan's high savings rate, criticised by trade partners as a factor in the high trade surplus, the organisation argues.

The study says the government should derive a higher proportion of state income from consumption tax. It stops short of calling for a substantial income tax cut, seen by Japanese business lobbies as the only way to stimulate demand, though it does believe income tax schedules for heavily taxed middle-income earners could be reduced.

Today, the Japanese government gets 68.3 per cent of its tax revenues from income tax - as against the 38.5 per cent OECD average. The burden on income tax payers will

increase as the percentage of people over 65 rises from just over 12 per cent now to 25.5 per cent in 2020. There would be scope for a reduction in rates if the income tax base was widened, to include "more effective" taxes on capital gains.

Consumption tax, at 3 per cent is very low by international standards, and inefficiently collected. Simplified consumption tax accounting rules for businesses were introduced to make this tax less unpopular on its launch in 1988, but the 60 per cent of traders which qualify for simplified procedures tend to underpay. So the simplifications should be phased out and consumption tax should play a bigger role, as originally intended, suggests the OECD.

Tax reform is all the more pressing because the government's balance sheet is less healthy than the official figures suggest, warns the OECD. It expects the general government balance to move to a deficit of 1 per cent of gross domestic product this year - against a 3 per cent surplus in 1991.

OECD Economic Surveys JAPAN. OECD, 2 rue Andre-Pascal, 75775 Paris Cedex 16, France. FFY 110 for orders outside France.

UN report paints grim picture for disabled

By Frances Williams in Geneva

The world's 290m disabled people suffer appalling discrimination, abuse and neglect and in developing countries only 3 per cent of those in need receive conventional rehabilitation services, according to a United Nations report published today.

The report, timed to coincide with the first UN International Day of Disabled Persons, says the number of people with severe or moderate disabilities is expected to double to 573m by the year 2025 because of rising population and increasing numbers of old people, from 5.5 per cent of the total population to 6.7 per cent.

Of these, 436m will live in developing countries, compared with 200m today. Every fourth family in a developing country has a disabled family

member, the report estimates. In some countries babies born with a disability are put to death. Disabled children often die early from neglect.

Providing professional rehabilitation services for all who need them in developing countries would even now cost \$60bn or \$1,000 per person, the report notes. Providing home helps for the increased number of elderly in rich nations could cost 13 per cent of total national income by 2025.

Dr Einar Helander, the report's author, argues instead for a "common-sense" community-based approach within a national framework. "We have to create a caring society," he says. "The family and the community are the best resource."

"Prejudice and stigma: An introduction to community-based rehabilitation," by Einar Helander, available from UN Development Programme, International Programme for Disabled People, Palais des Nations, 1211 Geneva 10, Swi.



Morita: brain haemorrhage

Illness forces Sony's Morita aside

By William Dawkins

Mr Akio Morita, chairman of Sony, and Japan's best known international business ambassador, has temporarily given up business activities as a result of a brain haemorrhage.

Sony announced the move yesterday, two days after Mr Morita, 72, was taken to hospital after collapsing while playing tennis at home. This will have little impact on Sony's day-to-day operations, since he handed over the group presidency - the top executive job - to Mr Norio Ohga four years ago.

But it could upset the

balance of power at the top of business community at a moment when its influence on government policy is growing. Mr Morita was expected to succeed Mr Gaisai Hiraiwa, chairman of the Keidanren employers' association and head of a government advisory panel on deregulation, next May.

It would take some time for Mr Morita to recover, but there was no indication that he would give up business activities, said Mr Tsunao Hashimoto, vice president of Sony, denying suggestions that Mr Morita had resigned from the Keidanren.

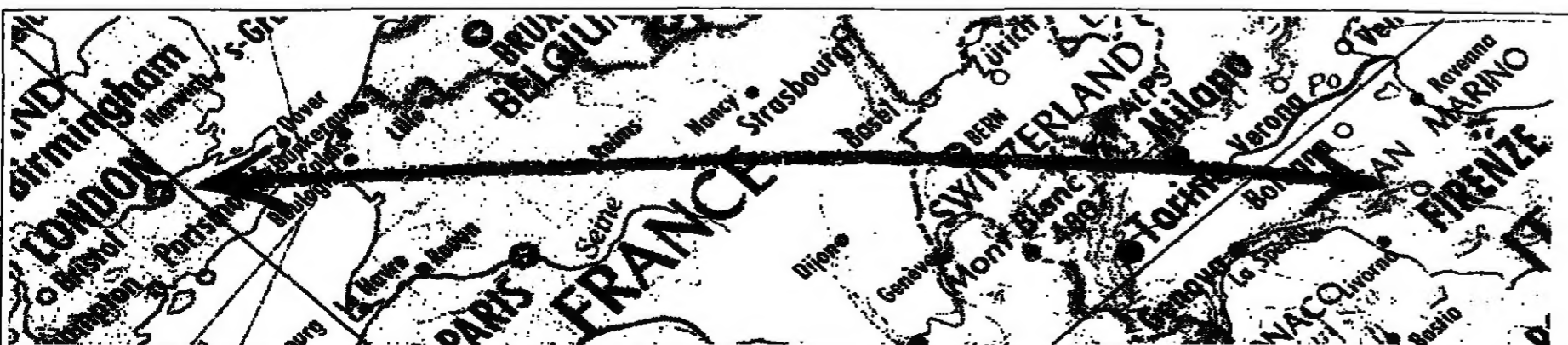
Mr Morita, said to have

refused the job of foreign minister in the current government, is an advocate of a more internationally open Japan and an outspoken opponent of US criticisms of Japanese trade policies. He is also a tough critic of management weaknesses at Sony's US and European competitors.

The heir to a family sake-brewing business in Nagoya, Mr Morita built up Tokyo Telecommunications Engineering Corporation after the war, with his partner, the engineer Mr Masaru Ibuka. They later named the group Sony, based on the Latin for sound.

Mr Morita is credited with being the marketing force behind Sony innovations from the tape recorder to the Walkman, and providing the inspiration for Sony's move into the entertainment software business, with the acquisitions of CBS Records in 1988 and Columbia Pictures of Hollywood in 1989.

Mr Morita also ensured that Sony was the first to move into home video recording. But it stuck to its Betamax system long after it was clear that the competing VHS system, developed by JVC, had captured the market - often cited as an example of Mr Morita's stubbornness.



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Congress backing sought in foreign aid drive

By George Graham
in Washington

Clinton administration officials are due to meet congressional leaders today to launch months of discussion on an overhaul of US foreign aid structures and procedures.

Mr Brian Atwood, administrator of the US Agency for International Development (AID), is expected to brief senior members of Congress on the draft legislation the administration has submitted to simplify aid programmes and concentrate US foreign aid on a limited number of strategic themes.

The administration hopes to pass the bill in Congress's next session, early next year, rewriting a 1961 law.

Under current law, AID pursues 33 separate goals and 75 priority areas. Instead of this scattered approach, the administration wants to focus on health, population control, the environment, economic growth and democracy.

Mr Atwood said he hoped discussions over the next few months could bring consensus on the sort of reform needed.

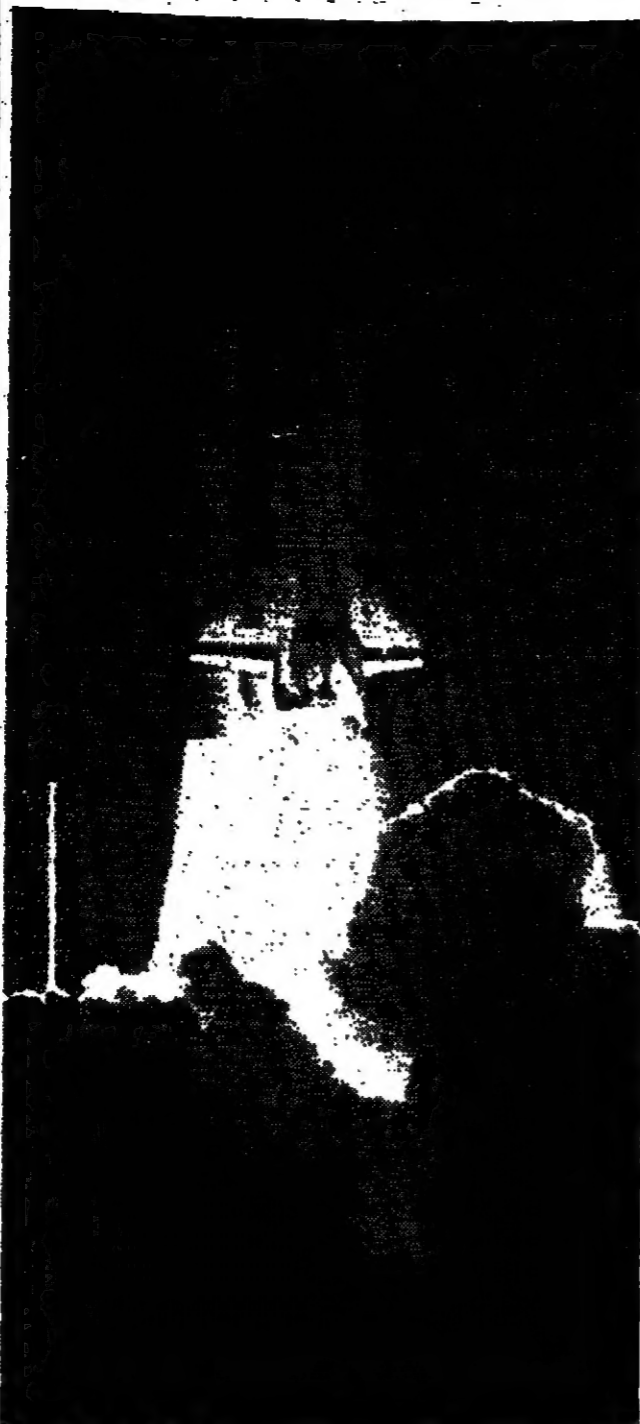
"There is no doubt that there is a consensus that we've got to reform our aid programme," Mr Atwood said in Washington at a meeting arranged by the newspaper USA Today International.

In the draft proposals submitted to Congress, the administration asks for more flexibility to deal with changing situations, instead of the "earmarks" attached by members of Congress to foreign aid bills to stipulate exactly where AID must spend its money.

AID will reduce its operations to around 50 countries, eliminating some whose economies have developed beyond the point where they need concessional assistance and tying aid to recipients' performance.

Mr Atwood has already announced closure of 21 AID field missions in countries such as Argentina, Chile, Ivory Coast and Zaire, either because they are now deemed creditworthy on their own or because they are considered "poor partners in development" until their underdeveloped governments change their policies.

Nevertheless, the US will continue to aid a dozen countries for more strategic reasons. Israel and Egypt, biggest aid recipients today, will continue to receive money, as will the former Soviet Union.



The space shuttle being launched from Cape Canaveral yesterday

Probe at Johnson Space Centre

Federal agents posing as corrupt contractors have begun a wide-ranging investigation into charges of fraud and kickbacks at the US space agency's Johnson Space Centre, law enforcement officials said yesterday, Reuter reports from Houston.

The investigation has targeted several large government contractors, employees of the National Aeronautics and Space Administration and more than a dozen employees of private companies, the officials said.

However, the officials were unable to confirm reports that the case may involve an astronaut. The FBI allegedly shot videotapes of contractors accepting cash to set up illegal deals with NASA.

According to local media reports, those caught in the scheme, in which payments reportedly amounted to tens of thousands of dollars, include contractors and vendors as well as an astronaut.

The investigation was described as the biggest probe into allegations of government contract corruption since "Operation Ill Wind", a massive FBI investigation in the late 1960s into bribery and other wrongdoing in the Pentagon's procurement system.

Word of the investigation came as NASA launched the space shuttle Endeavour yesterday on a mission to repair the Hubble Space Telescope - a mission that officials also hoped would improve the agency's already sagging reputation after a recent string of failed missions.

The US Attorney General's office in Houston declined to comment on the investigation.

Chile 'bored by democracy'

David Pilling on indifference to coming national elections

After only four years of it, Chileans appear to be taking democracy for granted. With presidential and parliamentary elections due this month, 47 per cent of the electorate declare themselves either "indifferent to" or "bored with" politics, according to the results of a nationwide poll.

If responses such as "no confidence" or "don't know" are added, the percentage of those disgruntled with politics reaches 75. Furthermore, the Centre for the Study of Contemporary Reality, which organised the poll, predicts that 10 per cent of registered voters (who are obliged by law to vote) will spoil their ballot papers.

"If this trend continues," says Mrs Maria Lagos, director of CERC, "it would mean a significant change in our political culture, which formerly displayed a strong tendency towards participation in all types of electoral activity."

Such indifference is difficult to fathom in a nation denied access to democratic institutions for 17 years of military rule. Some commentators argue that democratic habits take time to be re-learned, while others believe that General Augusto Pinochet's most important legacy has been the "de-politicisation" of a once polemical nation.

The elections of December 11 - which should result three months later in the first handover from one democratic government to another since Salvador Allende became president in 1970 - are hardly designed to animate a bored populace. The result - a victory for Mr Eduardo Frei, candidate of the governing Concertación coalition - has been a foregone conclusion for

months, given the relative popularity of the current administration and ideological disarray on the right.

All recent polls give Mr Frei about 60 per cent of the vote against less than 20 per cent for his nearest rival, Mr Arturo Alessandri, candidate of the right-wing Union for Chilean Progress. The remaining four presidential candidates score about 10 per cent between them, with another 10 per cent undecided.

Mrs Lagos believes that the polls falsely inflate the Concertación vote at the expense of support for Mr Alessandri whom she expects to poll 25-30 per cent on December 11. However, she is certain Mr Frei will

pain for a return to democracy.

By contrast, in this year's campaign it is difficult to distinguish among the views of mainstream candidates. All of them support continuation of the neo-liberal economic model and express the same concerns over perceived social ills.

For the most part, the issues that do provoke electoral interest - such as poverty, poor housing, unemployment and crises in the health and education systems - are those where the right is considered weakest. Part of the electorate may be disgruntled with the Concertación's performance in these areas but, other than vote for the extreme left, it

as Chile's blind pursuit of economic growth, is polling only about 3 per cent. CERC believes he could attract 5 per cent of the final vote.

The other three candidates are Father Eugenio Pizarro, representing the communist-led Mida coalition, Mr Cristian Reitze, candidate of a green-humanist coalition, and Mr José Piñera, a former minister of Gen Pinochet and independent right-wing candidate.

Such diversity of opinions is unlikely to have much effect on the outcome, especially since the constitution is designed to reward coalitions and punish small parties. Furthermore, Chile's recent turbulent history seems not to have affected basic political allegiances which divide the population into roughly equal blocks of left, centre and right.

If the result of the poll is in little doubt, one thing remains shrouded in mystery. With less than 30 days to go before elections, it is still not clear how long Chile's next president will serve. Various attempts to cut the presidential term from its current eight years have foundered on the rocks of party bickering. Mr Frei has said that, if elected, he would ask congress to reduce the period to four years. But, he warned, if parliament could not agree to do so by March 1994, when the new administration takes over, he felt disposed to serve out his full eight years.

There is certain to be public pressure for congress to put aside its differences and cut the presidential term. For an electorate already bored with its politicians, the prospect of having the same president for eight years is not a thrilling one.

Pinochet's greatest legacy may have been 'de-politicisation' of a once polemical nation

do enough to avoid run-off elections in February. He needs to win more than 50 per cent.

Mrs Lagos also believes there will be few changes in the make-up of congress. As things stand, the Concertación has 58 per cent of deputies and 48 per cent of senators. This has proved enough to govern, but not to push through controversial legislation or to amend Gen Pinochet's 1980 constitution, which awards disproportionate power to the right-wing opposition.

Dramatic shifts in allegiance are unlikely given the absence of stirring issues. In 1980 Chileans chose between politicians who had aligned themselves with the military regime and those who had led the cam-

feels it has little alternative but to support the status quo.

The one area in which the right is considered more competent is that of battling crime. According to CERC findings, a quarter of the population believes that the spread of delinquency is the nation's biggest problem, although concrete evidence suggests crime may actually be falling. Nevertheless, Mr Alessandri is campaigning hard on the issue, suggesting that Concertación policies have led to a breakdown of law and order.

Of the alternative candidates, the ideas of environmentalist Mr Manfred Max-Neef appear to have struck the loudest chord. Although Mr Max-Neef, who derides what he sees

US spending trend could slow growth

By Michael Prowse
in Washington

US consumer spending is growing faster than personal incomes, suggesting the pace of economic growth could moderate in the first half of next year as people rebuild depleted savings, official figures indicated yesterday.

The Commerce Department said consumer spending rose 0.4 per cent in real terms between September and October, twice the rate of growth of real, after-tax personal incomes.

In the past year, real spending has grown by 3.2 per cent against a 1.8 per cent increase in disposable incomes.

The personal savings rate fell to 3.7 per cent in October, against an average of 5.3 per cent last year.

Figures for new home sales in October indicated the housing recovery, while strong, was a little less robust than previously estimated.

New home sales fell 6.5 per cent between September and October to a seasonally adjusted annual rate of 679,000. The increase in sales in September was revised down to show a gain of 14.3 per cent rather than the initially reported 20.3 per cent. In the first 10 months of the year, new homes sales were up 6 per cent from the same period last year.

Yucatán faces political turmoil

By Damian Fraser
in Mexico City

The Mexican state of Yucatán has fallen into political turmoil after last Sunday's disputed elections for governor, in which independent observers and the opposition alleged widespread fraud.

Ms Dulce María Sauri - the governor of Yucatán and a member of Mexico's ruling Institutional Revolutionary party - 16 members of her cabinet, and a federal deputy submitted their resignations on Wednesday. The governor said she was unable to carry out her responsibilities as head of the state executive.

The opposition is planning further protests at what it and

independent observers claim was widespread fraud. It demanded that the elections be annulled and held again next August.

While the government-controlled state election commission had not given out official results by yesterday morning, the PRI was claiming a convincing victory in the gubernatorial election. In the election for mayor of Mérida, the state capital, both the PRI and the opposition said they were ahead. Diario Yucatán, an independent newspaper in Mérida, said the governor resigned after officials in Mexico City asked her to concede the election for mayor in Mérida.

Independent observers in

Yucatán catalogued a series of irregularities in a random sample of 250 voting booths, out of a total 1,400. In 115 of the booths there was no guarantee of a secret vote; in 101 there was pressure to vote for the ruling party; some 292 people voted without credentials; and 292 who wanted to vote could not. Under state law, if there are irregularities in more than 20 per cent of the voting booths, elections have to be cancelled.

"Nobody at this moment can assure that the elections were legitimate," said Mr Julio Faesler, president of Council for Democracy. "The situation is in sharp contrast to the promises of democracy made at the federal level."



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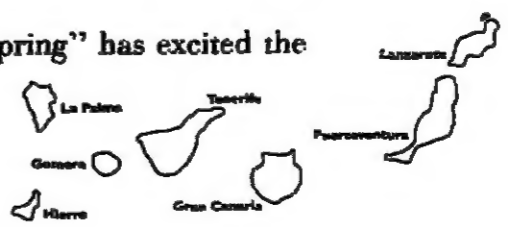
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* Typical APR based on a limit of \$1,000 including annual fee.
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NEWS: WORLD TRADE

'Gatt failure would reopen old disputes'

By David Buchanan in Paris

Failure to reach a Gatt agreement "would dash economic confidence and reopen disputes supposedly settled as part of the Uruguay Round negotiations", a senior US official told a trade conference in Paris yesterday.

Mrs Joan Spero, US under-secretary of state for economic and agricultural affairs, warned that in particular the arrangement which the US and the European Union reached in June on oilseeds might come unstuck if the Gatt round failed.

She also said Europe's common agricultural policy "could be challenged in the Gatt or by private parties under domestic trade laws".

On culture, the other main sticking point between the US and France, Mrs Spero said

protectionism by Europe could backfire against "European producers, directors, writers, actors, cinematographers who are a major force in American films". Such European artists might lose these opportunities in the US, she said.

Nevertheless, the US official said, "the noises coming from the Brussels negotiations are good." She said the US believed its Blair House agreement with the EU "is the basis upon which the Uruguay Round can be concluded", apparently indicating that Washington is not adhering to every last detail of an accord which France has hotly contested.

Mr Francois Pericot, president of the French employers' federation, told the conference that "nothing would be worse than the failure of seven years of negotiation" in the Uruguay Round.

Spanish telephone group to link with partners

By Ronald van de Krol in Amsterdam

Telefonica, the Spanish telecommunications operator, said yesterday it planned to enter into "intensive co-operation" with Unisource, the joint venture linking the telecom companies of the Netherlands, Sweden and Switzerland.

The move is widely regarded as a first step towards Telefonica's taking an equity stake in Unisource, which is aimed at providing one-stop telecommunications services to the world's multinationals.

PTT Telecom, the Dutch shareholder in Unisource, said: "We don't rule out the possibility that Telefonica will become a shareholder at a later stage." Unisource is fighting to establish itself in the field of "outsourcing" in direct competition with similar ventures by AT&T, British Telecom, Deutsche Telekom and France Telecom.

Its co-operation with Telefonica will be exclusive, meaning that the Spanish company will not be able to enter into deals with Unisource's competitors.

In October, Unisource concluded a non-exclusive alliance with Kokusai Denshin Denwa, Japan's biggest telephone operator, which left the Japanese company free to continue its involvement in the "Worldsource" venture launched by AT&T in the spring.

Under a co-operation agreement signed yesterday, Telefonica will provide customer support to Unisource's clients in Spain, while the Unisource partners will look after Telefonica's clients outside Spain.

The agreement with Telefonica is important to Unisource because it opens up southern Europe and provides access to markets in Latin America. Telefonica has holdings in telecom operators in Chile, Argentina and Puerto Rico.

"The agreement marks a vital step in the internationalisation of Telefonica and the positioning of Unisource as a leading pan-European telecommunications supplier," Unisource said.

Unisource is continuing to look for a possible equity partner on the North American market. A commercial agreement with Sprint, the US carrier, on the use of telephone lines is set to expire at the end of this year.

Campaign for market access runs into mounting criticism

US pressure over cars irks Tokyo

By Michio Nakamoto in Tokyo

Criticism of the US approach to opening up Japan's market to foreign cars and car parts is mounting in Tokyo, as the two countries still remain wide apart on key issues in their bilateral trade and economic framework talks.

In a rare move, the Japan Automobile Manufacturers' Association published a statement that is highly critical of the course being taken in the US-Japan framework talks, in which the two countries aim to increase foreign access to Japan's markets.

The statement points out

that, while attempts to correct the trade imbalance should be based on a broad discussion of macro-economic policy, the focus of the bilateral talks has been on micro-economic issues such as cars and car parts.

The association also criticises the US proposals to increase market access for foreign companies in Japan as going beyond the bounds of the two governments' activities.

Irresponsible intervention by governments in private business not only leads to managed trade, but in effect reduces consumers' choice, it says.

The industry association is particularly concerned that the

US proposal to set "specific expectations" for foreign penetration of the Japanese car and vehicle parts markets is in effect a call for numerical targets.

Neither do the US proposals reflect any efforts on the part of the US, even though the framework consultations call for efforts to be taken by both sides, it says.

That point was underlined by a high-ranking Japanese government official, who indicated that US carmakers were not making the kind of efforts necessary to win over Japanese consumers.

Mr Sozaburo Okamatsu, vice

minister for international affairs, said that Chrysler's decision not to bring its new car, the Neon, to the Tokyo Motor Show this autumn was disappointing.

The Neon, which is widely considered to be a "Japan car killer", was just right in terms of price and engine size for the Japanese market, Mr Okamatsu said.

If US car companies were not going to bring that kind of car to the Japanese market they should not ask for help to penetrate the market, Mr Okamatsu said.

He further underlined that there was "no chance" that

Japan would agree to set numerical targets for foreign sales in Japan.

Not only did numerical targets carry the risk of leading to managed trade, they were not necessary for foreign companies to succeed in Japan.

According to data published yesterday, the foreign share of the Japanese public procurement computer market, which was 7.6 per cent in fiscal 1991, rose to 14.4 per cent in 1992 after an action plan was implemented to make public procurement more fair and open, Mr Okamatsu noted.

Trade officials encouraged by progress in talks

By Frances Williams in Geneva

Trade officials in Geneva yesterday were philosophical about the lack of concrete results in the Gatt negotiations and said they were encouraged by reports of progress. "They do seem to be coming to some specific results," said one. "If we get something on Monday, that would just about fit in with the negotiating timetable, though there will be a lot of work to do next week."

Officials at Gatt headquarters said Mr Peter Sutherland, the director-general, was in close touch with the US and EU negotiators, but he declined to comment.

The relatively upbeat mood among officials appears to reflect a belief that the setting of fresh US-EU talks for Monday partly reflected Sir Leon Brittan's wish to avoid presenting a draft accord to EU ministers at last night's special council meeting, as demanded by France. This in effect prevents Paris putting a spoke in the wheel of the Uruguay Round negotiations before

they conclude on December 15.

Nonetheless, there will be disappointment among trading partners that US-EU differences over market access for goods and services could not be resolved before today's key meeting in Geneva to evaluate the results in the round so far.

Although it is already clear that the Uruguay Round target of one-third tariff cuts is likely to be exceeded, overall gains from the round still remain heavily dependent on what the two trading giants decide to give each other, for instance, the textiles, fish, non-ferrous metals and electronics.

In addition, the two sides have not yet resolved differences over financial services, maritime transport and audiovisual services.

Trade officials said that intensive negotiations on all aspects of the round would continue through the weekend on the assumption that a US-EU deal was close. "The rest of the process is in reasonably good shape for the final bargaining," said a senior trade diplomat.



Castro recently spoke of fighting the country's financial problems through tourism

Cruise ship lifeline for Cuban economy

Rosie Hayes and Stephen Fidler on Castro's latest attempt to attract dollars from tourism

When the cruise ship Santiago de Cuba sails later this month from Havana, it will underline the extent to which revolutionary fervour is giving way to pragmatism as Cuba tries to adjust to economic hardship.

On board ship, there will be gambling - although it will not be allowed in Cuban ports. The government of President Fidel Castro is now accepting an activity it banned when it closed Havana's notorious gambling parlours after the 1959 revolution.

Compared with the previous policy shifts forced on the Cuban government by the collapse of the Soviet Union and its financial support for Cuba, this is small. Among other things, the government has been aggressively pursuing previously unwelcome foreign investors and has legalised use of the once-banned US dollar.

The cruise operation - a joint venture between the state-owned Havanatur and European interests, including the Italian ship agents Fratelli Cosulich - is the latest attempt to attract tourist dollars to the country.

Mr Castro is now laying much emphasis on the promotion of tourism. He turned up last month on the holiday island of Cayo Coco at a ceremonial signing of a Spanish-Cuban joint venture and mingled with tourists, even at one stage watching a dance performance in a discotheque. The joint venture involves the Spanish group Guinter Hotels investing \$20m (£13.4m) over 10 years and the local Cubanacana SA contributing the equivalent in local currency.

He spoke of fighting the country's financial problems through tourism and told

Cubans to prepare for an influx of foreign visitors.

The president has also heaped praise on Spain, probably the most important source of foreign investment in the Cuban tourist industry, and has described Spanish skill and enterprise as a great advantage to the island.

He even told an audience of Havana Communist party delegates this month that sugar was "no longer the country's main economic source" and that the tourist industry had developed to such an extent it was now "Cuba's main financial lifeline".

The number of visitors to Cuba has increased from 200,000 in 1987 to 460,000 last year, and is forecast to grow again this year. Visitors are also spending more. According to the government, daily spending rose to \$87 a day in 1990 to \$99 in 1992, and is predicted to increase to \$100 in 1993.

Castro recently claimed that sugar was "no longer the country's main economic source".

But there are doubts among external observers whether tourism is as important as the government suggests. Mr Jorge Dominguez, a Harvard professor and visiting fellow at the Washington-based study group InterAmerican Dialogue, says that total foreign direct investment in Cuba is an elusive figure, but probably amounts to less than \$1bn. "That means the claim that tourism is significant rests on its generation of foreign exchange."

Yet the foreign exchange

earnings usually quoted by Cuban sources represent gross, rather than net earnings. A report produced in March by the Cuban Grupo de Turismo said that tourism generated \$530m in gross hard-currency receipts in 1992 - four times the 1987 level - and directly accounted for 62,000 jobs, 1.6 per cent of total employment.

A report published in April by La Sociedad Economica, a moderate London-based exile group which favours the country's transformation to a market economy, also points out that the policy of keeping tourists in enclaves "limits the market for locally-produced goods and services, reducing the beneficial effect that tourism could generate in the wider economy."

The net hard-currency benefit is thus significantly less than the gross receipts. Tourists have to be serviced by imports, such as Scotch whisky and video cassettes. Sales commissions, tour operating profits, and aviation expenses must also be paid.

This suggests, says Mr Dominguez, the net annual hard currency gain to Cuba is between \$100m and \$300m. While this compares with the \$220m earned in 1992 from nickel exports, it is still significantly less than its earnings from sugar exports, even though they fell to their lowest level this year since 1963. This year's harvest of 4.2m tonnes would generate \$800m-\$900m in export revenues.

Tourism, as at present structured, offers only very limited relief to Cuba's economic crisis, argues La Sociedad Economica. This could change if Americans were allowed to go to Cuba - but the end of the US embargo still appears a long way off.

Franco-German telecom deal goes to Commission

By Andrew Hill in Brussels

The European Commission is preparing to examine details of a new co-operation deal between Deutsche Telekom and France Telecom, the state-owned telecommunications groups.

Commission officials confirmed yesterday that the two companies had already made contact informally, but refused to comment on Brussels' likely attitude to a deeper alliance.

France Telecom and Deutsche Telekom revealed late on Wednesday that they were planning a press conference about their plans on Tuesday in Brussels. Industry observers believe they may be preparing to merge certain areas of their activity, outside domestic "voice" services.

On the same day, telecoms ministers from the European Union will be holding further discussions about the Commission's proposals on liberalisation of the telecoms sector.

If the case does fall under the Commission's jurisdiction - either as a merger, or because of other monopoly considerations - the attitude of the Commission's competition directorate will be crucial.

The deal could well become one of the most sensitive anti-trust cases yet examined by the Brussels authorities.

Competition officials said yesterday they would work closely on the case with other Commission departments,

notably telecoms and industry.

In his contribution to the Commission's proposed white paper on growth, competitiveness and employment - to be discussed by EU leaders on December 10 and 11 - Mr Martin Bangemann, the industry and telecoms commissioner, has stressed the need to adapt to the existence of an "information society", using telecoms networks and served by strong telecoms and information technology groups.

"Old assumptions and legal rules don't apply to the new reality," said one senior industry official. The coincidence of the press conference and ministerial meeting will allow the companies to press home that point.

The Commission is to push through controversial measures to extend liberalisation of the telecoms terminal and telecoms services markets to the satellite communications sector. Brussels yesterday approved amendments which will abolish national restrictions on the provision of satellite earth station equipment, satellite services used by business networks, and mobile tracking services.

The Commission can impose these amendments on member states because the original directives were adopted using special powers to break open national monopolies. The Commission said it hoped the measures would be in force by the end of next year.

P&O buys stake in Chinese terminal

P&O, the UK shipping and construction group, is extending its container terminal interests in China with the acquisition of a stake in the Zhangjiagang-Win terminal near Shanghai, writes Charles Batchelor.

P&O is to pay an undisclosed sum for a controlling interest in Win Hanverky Investments, which owns a 51 per cent stake

in the Zhangjiagang-Win Container Terminal Company. The terminal has an annual capacity of 150,000 20-foot containers. There are plans to expand capacity to more than 350,000 containers.

P&O and Swire Pacific, the Hong Kong property and aviation group, last month paid \$54m for a 25 per cent share each in Shekou Container Port.

Lloyds Bank Interest Rates

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	Monthly Rate	APR*
Classic Standard, Current Account Standard,**		
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Student	0.54%	6.6%
New Budget Account	1.50%	19.5%
Unauthorised	2.00%	26.8%

Loans for Personal Customers

	Monthly Rate	APR*
Secured and Home Improvement Loan	1.05%	13.3%

** The APR is calculated on the basis of a 12-month period. The APR is calculated on the basis of a 12-month period. The APR is calculated on the basis of a 12-month period.

With effect from 5 January 1994 the following rate of interest will apply:

Mortgages

	Per Annum	APR**
Lloyds Bank Mortgage Rate		
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Lloyds Bank Black Horse Mortgage Rate		

** APR is typical of what we can offer.



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US unlikely to oppose Chile's entry to Nafta

By David Pilling in Santiago

TRE US sees few, if any, obstacles to Chile's accession to Nafta or a bilateral free trade accord with Washington, Mr Curtis Kamman, the US ambassador in Santiago, said yesterday.

Unlike most Latin American countries, which needed to liberalise their economies and lower tariffs, "Chile has done all that. There's not much left for it to do," he said.

There were no specific environmental or labour issues blocking an agreement, he said. The US would, however, "watch with interest" the passage of Chile's environmental

protection bill and would hope to see swift implementation of its new regulatory framework.

Further talks would be necessary in the area of intellectual property rights, where Chile had made some, though insufficient, progress. In particular, US pharmaceutical companies wanted greater protection for their patented products. The US was "serious" about concluding new trade agreements "in the near future". However, "we have not yet decided whether our preferred course is additional bilateral agreements with other countries or their accession to Nafta."

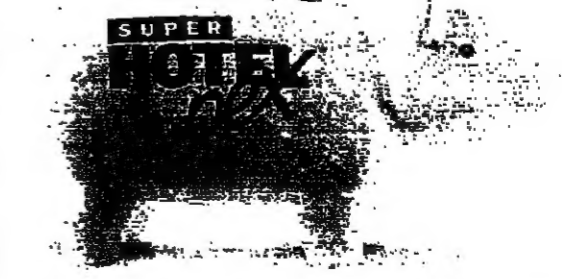
He rejected arguments that

the US administration would tread carefully because of "blood on the carpet" after the Nafta debate or because it now wished to concentrate on healthcare reform.

The US was quite capable of pursuing parallel domestic and foreign policies, he said. Besides, President Clinton "made clear during the Nafta debate that he wants to extend the agreement to other countries, with Chile mentioned as the first in line."

Canada's new Liberal government announced yesterday that it would enforce Nafta after obtaining improved rules on subsidies and dumping. Reuter reports from Ottawa.

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● Government plans to charge motorists 1.5p a mile ● Overseas interest predicted in road-building

Electronic tolls could be in place by 1998

By Charles Batchelor,
Transport Correspondent
and Roland Rudd

Tolls on Britain's motorways could cost motorists £700m a year if they were applied across the entire 2,000-mile network, Mr John MacGregor, transport secretary, announced yesterday.

The government intends to push ahead with detailed studies of an electronic tolling system which could be introduced by 1998, he said. Vehicles would carry a smart card on their windscreen which would be read automatically from overhead gantries.

Present government thinking is to charge cars a maximum of 1.5p a mile

and lorries 4.5p a mile so that a car journey from London to Birmingham would cost £1.50. This is a lower rate than charged on continental European motorways but is intended to prevent drivers diverting to side roads.

Mr MacGregor gave a pledge that motorway charges would be devoted solely to the construction and operation of the motorway network.

The Treasury had no objection to reserving funds for a particular purpose because they were not taxes, he said.

Electronic tolling is being introduced in many other countries but systems are not yet sophisticated enough to be used on Britain's

heavily used motorway network. The department of transport is to invite manufacturers to submit details of their technologies in fields such as smart cards. It will then put together a system for trial on a special track and on motorways within the next year.

Tolls will not only provide additional funds to the £8bn which has already been committed to road spending, they would also allow the government to charge more for using roads at peak times.

They would mean that the users of motorways, just over half of all motorists, are charged more than non-users. They would also improve the competitive position of rail and

other forms of public transport. To increase the funds available for the road building programme in the short term, the government will commission private contractors to design, build, finance and operate stretches of road. They would receive payment, known as "shadow tolls," in relation to motorists' use.

The water and electricity companies are expected to emerge as prime movers in the government's drive to involve private finance in public services, according to Mr Stephen Dorrell, Financial Secretary.

Mr Dorrell told journalists yesterday that the government was trying to create a new business sector which would build road and rail infrastruc-

ture on behalf of the transport department. Currently, it is the construction companies and the banks which normally act as promoters for large projects such as the channel tunnel and estuarial crossings.

Mr Dorrell said the benefits of involving the private sector would emerge only if the design, financing and construction of infrastructure were under the control of companies with expertise in managing roads and railways.

"Utility companies recognise this as a business they might move into," he said. "There will also be foreign companies with experience of running toll roads abroad. Not all the expertise has to be home-grown."

Britain in brief



Telecomms 'highway' plan for NW

Nynex, the US telecommunications operator, is to invest £1.1bn in north-west England over the next five years, and predicted that it would create about 4,500 new jobs.

The company will install a 63-mile, multimedia, "super-highway" for cable TV, telephone, data and general telecommunications, starting next month. It will take the form of a hybrid fibre optics and coaxial ring main running through parts of Merseyside, Cheshire, Greater Manchester, and north-east Lancashire.

Tobacco ads face controls

The government is expected to announce tighter voluntary controls on tobacco advertising shortly to head off an MPs call for a legislative ban.

Mr Kevin Barron, Labour MP, wants to ban all cigarette, cigar and pipe tobacco advertising except at the point of sale. The Department of Health confirmed that tighter voluntary controls were being considered for tobacco advertising include:

- A complete ban on poster advertising
- An end to tobacco advertising in women's magazines
- The removal of tobaccoists' shopfront advertising
- Larger health warnings on cigarette packs.

generated within the UK either from local authorities or the private sector, will go to 150 projects.

Nuclear call for sell-off

Nuclear Electric, the state-owned electricity company, risked antagonising ministers when it coupled its publication of strongly improved interim results with a call for privatisation. Mr John Collier, chairman, said the company's future lay in the private sector. Last week Mr Tim Eggar, energy minister, rebuffed the company, saying it was up to government if and when the industry was sold off.

Scottish exports outstrip UK

Scotland's position as an export-oriented economy was confirmed by figures showing that its exports of manufactured goods rose considerably faster in 1992 than those of the UK. Whereas UK exports of manufactures rose by only 0.2 per cent by value in real terms, Scottish manufactured exports went up by 6.3 per cent.

UK reserves rise by \$49m

The UK's official gold and foreign currency reserves rose by \$49m last month, bringing reserves at the end of the month to \$43.6bn compared with \$43.5bn at the end of October. The underlying increase in reserves was \$77m.

Weekend work pays dividends

Nearly half of Britain's managers work at least one weekend in two and more than a quarter have to work every weekend, according to a survey of 850 managers by British Telecom. Working weekends appears to pay dividends, with 50 per cent of managers claiming they get a lot more done at weekends. But nearly one quarter resent working weekends.

Ofel pressure on BT prices

Regulatory pressure on British Telecom's communications to cut its prices and profits will increase sharply in the medium term if inflation remains low, following a policy statement by Ofel, the telecommunications regulator.

The prospect was raised by Ofel's settlement of a long-running dispute between BT and Mercury, its main UK competitor. In reaching its decision Ofel sharply cut the rate of return on capital it permits BT to enjoy.

Triumph plan for motorbikes

Triumph Motorcycles, the company set up by entrepreneur Mr John Bloor to revive manufacture of the famous British motorcycle, has been given planning approval by the local council for a new 40-acre factory at Hinckley, Leicestershire, in the English midlands.

Watchdog to check pension advice on £7bn

By Norma Cohen
and Alison Smith

Financial regulators are to review the personal pensions of up to 500,000 individuals who have transferred savings out of employers' schemes into private plans. Up to £7bn is involved.

The Securities and Investments Board, the City's top watchdog, fears that people may have been badly advised and could be worse off in retirement than if they had stayed in their employers' schemes. An initial review by regulators found that, in many cases, sales agents sought too little information to be able to give proper advice.

Almost every life insurer, bank and building society that has sold personal pensions is expected to be affected by the review. The SIB has retained the accountancy firm of KPMG Peat Marwick to produce a report on the problem. The report is to be released within the next few weeks.

The review is intended to see that those who followed wrong advice are compensated and that measures are taken to insure that personal pensions are only sold to those for whom they are appropriate. Mr Andrew Large, SIB chairman, said personal pension policyholders "should not be alarmed. The problem we are looking at is not about theft."

"The SIB felt that this was a

problem that should be flagged and dealt with promptly so regulators are taking action now to ensure that people will not be disadvantaged when they retire," he said.

The life insurance industry has been alerted to the regulators' actions and is concerned that the publicity will further damage their reputation and business. It will also raise questions about the government's strategy of offering tax incentives for people taking personal pensions.

The SIB, along with the self-regulatory bodies for retail financial services, Lauro, Fimbra and Imro, will form a panel of regulators and industry officials. The panel will set a uniform standard for determining when an individual is deemed to have been given wrong advice. Priority will be given to cases of older individuals who have been encouraged to leave schemes with fully inflation-indexed benefits.

The panel will also agree a method of assessing compensation. Regulators feel compensation will prove most difficult to deliver in cases where the employer's scheme will not allow individuals to rejoin or in cases where the life insurer cannot or will not pay.

There are also concerns about whether life insurers will be willing to pay compensation on policies sold through independent financial advisers whom they do not employ.



British Telecommunications engineers training to carry out maintenance work atop telephone poles at the Yarnfield training centre in Staffordshire. Staff are taught climbing techniques and safety drills on 10ft poles before moving on to the full-size 30ft ones

N-plant may become rocket pad

By James Buxton,
Scottish Correspondent

The Dounreay nuclear plant on the north coast of Scotland is considering the idea of becoming a site for launching space rockets, which would put communications satellites into orbit around the earth.

AEA Technology, the offshoot of the UK Atomic Energy Agency which operates the plant, will decide early in the new year whether to carry out a full-scale feasibility study of the proposal.

Dounreay, where the experi-

mental fast breeder reactor is to close next year, could be suitable for launching small rockets carrying satellites which would go into polar orbit, circling the earth between the Poles.

A key requisite for this is to be able to launch missiles over the sea in a northerly direction, and Dounreay's position on the north coast of Caithness is ideal for this.

Western Europe currently has no commercial space rocket launching site. The European Space Agency uses the Ariane space rocket which

is launched from French Guyana.

Dounreay believes there is a need for rocket launch sites which to put small communication satellites into polar orbit, as opposed to orbit around the Equator. Both Norway and Canada are considering developing launch sites.

Dounreay said the scheme was in its early stages, but AEA Technology is understood to have had preliminary talks with potential partners.

To go ahead the project would need to be commercially viable and would need the sup-

port of the local community. Dounreay said that the scheme might initially employ only "scores" rather than hundreds of people.

In addition to the fast breeder reactor, Dounreay contains the only manufacturing plant in Europe for making and treating fuel for materials test reactors. The plant is seeking ways of diversifying from dependence on the nuclear industry.

It is in the process of gradually shedding staff, with 240 of the 1,400 jobs due to go in April.

Fishing row goes to Euro court

By Deborah Hargreaves

Controversial plans to keep the British fishing fleet tied up in port for part of the year could be shelved after the High Court yesterday referred the matter to the European Court in Luxembourg.

Planned legislation restricting the number of days spent by fishing vessels at sea to 1901 levels, was challenged by the National Federation of Fishermen's Organisations which represents 6,000 fishermen in England, Wales and Northern Ireland.

Mr Richard Banks, NFPO chief executive, hailed the High Court decision as a triumph. "It's given the government a severe bloody nose," he said. "We didn't want to win because that would have involved a very expensive appeals process so it's the best outcome for us."

The Ministry of Agriculture, Fisheries and Food has said it may appeal against the decision - the government has until next Wednesday to decide whether to appeal.

The fishermen will go to the High Court again on January 11 to argue that implementation of the "fit-up rules," which were due to come into effect on January 1, be put off until after a European Court judgment, which could take at least two years.

Mrs Gillian Shepherd, agriculture minister, planned to introduce the limits as part of the government's commitment to conserve fish stocks. Under European Union fisheries policy, the UK fleet must be cut by 19 per cent by 1996.

The government has begun a programme of decommissioning, paying fishermen to leave the industry. It has earmarked £2.3m for compensation, of which £8m has already been spent.

Officials suggested that yesterday's judgment could mean the remaining £17m would be withdrawn.

Ulster people show 'least interest' in politics

By Stephen McGuckin

Citizens who believe that government is too powerful tend to have a lower than average interest in politics, according to an extensive international survey published yesterday.

International Social Attitudes links the 10th annual survey of highly-respected British Social Attitudes report with work carried out in 21 countries by the International Social Survey Programme to produce a comparative picture of societies across the world in terms of

politics, family, religion, employment and class. A section entitled "Disengaging from democracy" examines the attitudes of people to those who govern them.

Australia, with 52 per cent, headed the list of countries where people described themselves as "fairly" or "very" interested in politics.

At the other end of the scale, in Northern Ireland 50 per cent of those surveyed said they were "Not at all" or "Not very" interested in politics. Only 6

per cent said they were "very" interested.

"To find that interest is lowest in the nations that have been the most troubled is more ominous," says the author, Professor Michael Johnston, of Colgate University in New York.

When asked about the respective power of unions, business and government, only in the former West Germany and Italy did the number of people thinking that business had "too much" power exceed those thinking unions or government had too much power.

Government power appears excessive to at least a third of the adult population in every nation surveyed. In Australia, where the smallest percentage was concerned about government power, the role of the unions is a much greater cause for concern.

In the US, government, union and business power are all seen as significant issues - understandably, the survey argues, since Americans appear to be apprehensive about concentrated power wherever they perceive it.

Comparing the findings with

a similar survey in 1985, the percentage in Britain believing the unions had too much power dropped by a third. The number thinking business had too much power grew from 26 per cent to 32 per cent.

In East Germany, Ireland (North and South), Norway, Italy and Britain, more than 40 per cent of people thought it was definitely the responsibility of government to provide health care. In the US, that figure dropped to 40 per cent.

International Social Attitudes is published by Dartmouth Publishing in the UK and the US.

Differences over Ulster settlement break into the open

By Philip Stephens, David Owen
in London and Tim Coons in Dublin

The sharp differences between London and Dublin over the shape of any settlement on Northern Ireland broke out into the open last night on the eve of today's Anglo-Irish summit.

As Mr John Major gave a public pledge that any deal must be acceptable to the Unionist majority in Northern Ireland, it emerged that

the British prime minister had rejected a peace plan tabled by Mr Albert Reynolds, his Irish counterpart.

The plan, sent to London last month, provided for the Dublin government to drop its constitutional claim to the North and to recognise that Irish unification could come only with the consent of a majority in Ulster.

But as a quid pro quo, the British side would have to agree to a docu-

ment endorsing the value of eventual Irish unity and to early and simultaneous referenda in the Republic and the North to provide a visible expression of "self-determination."

Mr Reynolds wanted the plan to provide the basis of the communiqué after today's summit.

But after acrimonious exchanges earlier in the week which at one stage threatened the cancellation of the summit, the two leaders agreed

to downgrade the status of the meeting.

It is understood that Mr Major was ready to accept a document framework which included the explicit recognition of the legitimacy of the aspirations of Irish nationalists.

But he rejected as unacceptable to moderate unionists the idea that Britain should tacitly support the goal of Irish unity by signing up to its value.

Mr Major also judged that the pro-

posal for joint referenda on "self-determination" would dilute his government's commitment to the unionists' veto on constitutional change.

Both sides were last night attempting to play down the rift. In London, it was suggested that a short statement to be released after the talks would emphasise the two leaders' commitment to an agreement. One senior British minister commented: "There will be lots of smiles for the cameras but also a real commitment

to further work."

Irish officials pointed out that by agreeing to a total of three working meetings during December there was still room for manoeuvre and hope for progress.

"Whatever progress made tomorrow will be of value. That was why we agreed to working meetings instead of a summit, as a summit requires some basis of agreement beforehand", an Irish government spokesman said.

Shadow of violence hangs over talks

Jimmy Burns considers the IRA's next move if London and Dublin fail to strike a deal

The IRA plans to step up its military campaign if the Dublin talks do not produce acceptance by London of the principle of self-determination for the people of all Ireland.

According to Republican sources, the IRA has been carefully weighing up its military and political options in the run-up to the meeting today of the two prime ministers which is now expected to lead to further talks before Christmas.

In military terms, the IRA is convinced that any ceasefire in the present circumstances, whether *de facto* or official, risks undermining the efficiency of the organisation.

It is widely suspected within the IRA that previous extended ceasefires were used by the

security forces to infiltrate the organisation.

"Like in any army the fear is that a period of inactivity undermines morale. It also provides the space for an examination of conscience," one Republican source said.

The IRA is still officially backing the peace process and Sinn Féin, its political wing, has been stepping up its distribution of posters backing the Hume-Adams initiative.

Although details of this have not been released, the initiative aims to bring about a permanent cessation of IRA activities as part of a comprehensive political settlement for Northern Ireland, including a constitutional shift of the kind which Dublin appears to be pressing for.

It is in order to facilitate the possibility that the heart of the Hume-Adams proposals might be absorbed by the Anglo-Irish peace move that the IRA had until this week scaled down its operations.

With the resumption of attacks on soft targets - a failed bomb attack on an army patrol and a bomb attack on a policeman - the IRA has signalled a decision to keep up the pressure on the British government as it attempts to appease Unionist opinion.

The resumption of relatively low-scale IRA military operations has come against the background of outrage within the Republican movement at London's claim the IRA had declared that the conflict was over and asked for

advice of how to give up its military campaign.

"Anyone who knows the IRA and those close to it knows that the suggestion that Martin McGuinness would send such a message to the government is preposterous," another Republican source said.

Mr McGuinness, the Sinn Féin Londonderry councillor, is still widely regarded within the Republican movement and by the security forces as the man who can best broker a peace deal for the IRA.

He denies that he is an IRA leader or that he is engaged in terrorist operations. But he has established his credentials with the IRA as an activist in the early 1970s, and is thought to have a strong influence on the organisation's political

and operational strategy.

Supporters of the IRA within the Catholic community admit that in the aftermath of the Shankill and Derry killings last month a feeling of weariness is setting in. But there is no indication these supporters expect the IRA leadership to declare a ceasefire in the absence of any palpable political gains.

The IRA's own "volunteers" are resistant to any deal with the British government that might smack of surrender.

So far, there is no evidence of any substantial division between hawks and doves - but in the run up to Christmas a continuing political debate over tactics and strategy is likely to intensify within the IRA and its political wing.



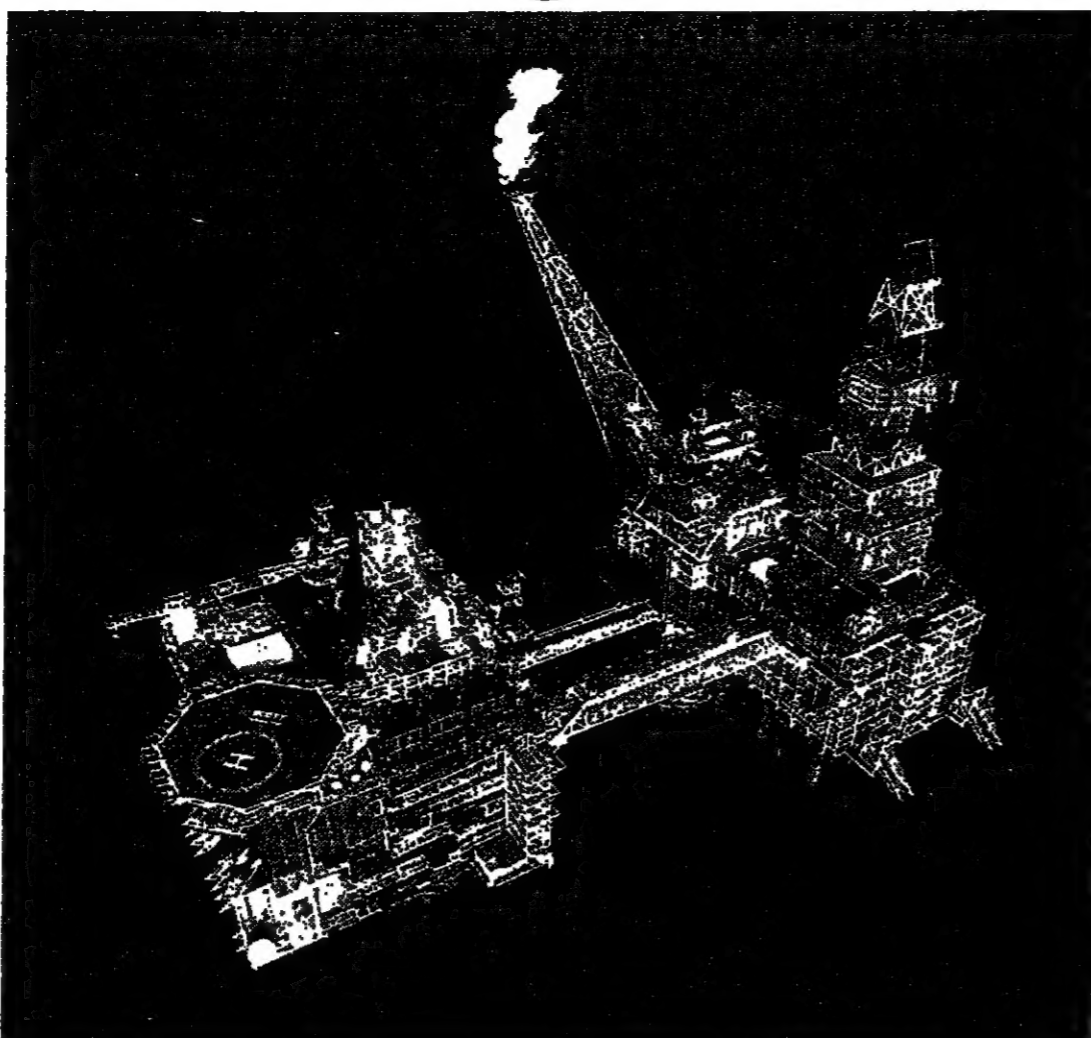
Martin McGuinness: widely seen as key to a brokered ceasefire

كتاب الامير

TECHNOLOGY

Cost-conscious oil companies are moving from bespoke platforms to standard designs, writes Robert Corzine

Uniformity on the high seas



Amerada Hess' Scott platform 130 miles off Aberdeen, Scotland; possibly the last of its kind in the North Sea

North Sea oil and gas production platforms, some of the biggest and most expensive structures ever built, are rarely thought of as architectural jewels. Yet each is custom-designed and built to a bespoke set of specifications, detailing everything from steel strength to the exact power output for the gas turbines that provide enough electricity to supply whole towns.

In an age of standardisation they are the industrial equivalents of racing cars, with the focus on performance and little thought given to cost. Their designers have pushed technology to suit the harsh operating environment; which is why the basic above-sea structure of North Sea platforms can cost four times that of similar ones in the Gulf of Mexico, while the materials and equipment can cost 70 per cent more.

The need for massive amounts of documentation to accompany individual designs and excessive technical requirements results in a 35 per cent cost penalty, say industry experts. The high cost of customisation, however, has been of secondary importance to arriving at the most perfect technical solution to the twin priorities of withstanding the rigours of the North Sea for up to 20 years and efficiently draining individual oil fields.

But the era of spending more than £1.5bn on individual North Sea platforms may soon be over. The prospect of finding more of the very large fields which could justify such investments is fading. Tax changes earlier this year removed the fiscal incentive to maximise production through customisation.

In addition, the outlook is for oil prices to remain relatively low for some years, while cost-cutting is seen as the key to the future profitability of big oil companies.

But a shift away from tailor-made technological solutions to standardisation will not be easy. "There is a cultural, historical prejudice" against standardisation in the industry, according to Rex Gaisford, director of projects at Amerada Hess, the US-based company which accounts for about a tenth of UK North Sea production.

Just how strong that prejudice remains is being tested this week as the Crine Committee, an industry-wide study group under the aegis of the UK Offshore Operators Association (Ukooa), unveiled its proposals for a fundamental overhaul of the way in which big offshore engineering projects are undertaken.

Ukooa, whose 38 member companies participated in the "cost reduction in the new era", or Crine initiative, believes savings of up to 30 per cent in capital costs could be made within two to three years if the basic proposals were implemented. Such cost reductions, however, can only be realised if changes are

made in the relationship between the oil companies and their main engineering contractors. Given that in each of the last 20 years the offshore oil and gas industry accounted for as much as a quarter of the total capital investment in UK producing industries, the impact of the Crine initiative could be felt across the industrial sector.

The main proposals centre around a series of codes, practices and specifications for machinery, Gaisford, who headed one of the main Crine committees, hopes that agreement on them will give suppliers the confidence to develop standard North Sea products, rather than wait for the "mountain of paper" which currently accompanies the order for a new bespoke platform.

Simplification of contract language and the elimination of "adversarial clauses" would give contractors more confidence that operators "would not just stand back and throw rocks at them if they get it wrong", according to Gaisford.

He also believes that such an approach would lead to greater technological innovation in the offshore industry. "Standardisation in other industries, like car manufacturing, has led suppliers to invest in the most promising technology," he

says. In addition, "new technology would come in on a far more rational basis" than the almost haphazard way in which it is currently introduced.

Safety, too, would be enhanced by a move towards standardisation, because reliability would improve. "It's the same as if you designed and built your own car to meet your family's specific needs," says Gaisford. "It's bound to be less reliable than a standard product."

Amerada Hess' Scott platform, which is in its final assembly phase 130 miles off Aberdeen, may be one of the last of the big North Sea platforms built under the prevailing design philosophy. The large reservoir dictated a big platform, although Amerada was keen to try out new concepts which may point to future standard practices.

Seven sub-sea wells were drilled to ensure that oil and revenues could flow as soon as Scott was commissioned. The platform was built on a "fast track", with individual production modules weighing up to 10,000 tons assembled and commissioned on shore to save time and money. They were then lifted into place by giant crane barges.

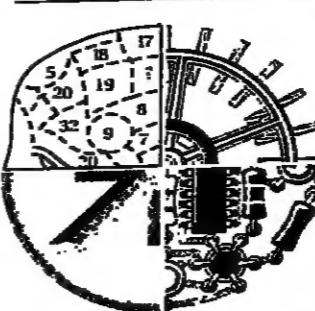
Such techniques are increasingly common in the cost-conscious industry. But Amerada Hess' request for three off-the-shelf power generation turbines suitable for North Sea operations caught European Gas Turbines, a GEC subsidiary, by surprise. It is, however, introducing a North Sea package, built around a standard product to which options can be attached, a development which the Crine initiative would encourage.

But would implementation of Crine recommendations lead to a radically different way of approaching a similar project in the future? Gaisford says that a combination of Crine measures and other innovations could cut by half the size of a Scott-type platform built 10 years from now.

Ships capable of drilling, producing and storing oil, while maintaining precise positions through satellite navigation and a series of computer-controlled propellers along the hull are only now making their appearance in the North Sea. But their presence in greater numbers will allow the removal of the large drilling units now located on platforms such as Scott. For some of the smaller fields it may even be possible to order a standard platform and equipment package.

The big task is not technical, according to Gaisford. "Crine represents a huge cultural change. Some people and companies will be left behind." Changing the attitude of oil industry engineers could prove to have much in common with stopping a fully-laden supertanker travelling at speed. It takes a little thought and a lot of time.

Worth Watching · Della Bradshaw



Cutting the price of videoconferencing

The advantages of videoconferencing as a replacement for international travel have long been recognised, but the cost of buying equipment has often deterred the smaller company.

Nuts Technologies, of Hong Kong, has now developed a desk-top videoconferencing system based on an Apple Macintosh for \$3,498.

The video image is displayed in a small window on the screen while the rest of the screen can display high-quality graphics. The two callers can discuss the displayed graphics and alter them if required. The caller at the other end would be able to see the updated graphics immediately.

The Connect 918 can send the data along the latest ISDN digital telephone lines, around a local area network or even over an ordinary telephone line using a modem. Nuts Technologies: Hong Kong: 881 6360.

Software that addresses the issue

Typing letters is time-consuming and typing out the envelope can take as long. Now Japanese manufacturer Seiko Instruments has produced a tiny machine which sits beside a PC and prints out an address label every time a letter is written.

The sophisticated software in the Smart Label Printer Plus recognises the combination of letters and numbers which make up the local postcodes or zip codes. Once a postcode is typed at the end of the recipient's address at the top of the letter, the label is automatically printed. Seiko: UK, 0628 770001.

Virtual actors turn to animation

First there was virtual memory,

then there was virtual reality. Now there is the virtual actor, a way of enabling computer-generated characters to move and behave in the same way as humans by sending information directly to the animated character from a live actor. Up to 16 sensors are placed over the actor's hands, face and body. As he or she moves, the movement and speech are mirrored exactly by the computerised character.

Developed in the US by StarGraphics and sold in the UK by Televirtual, V Actor was first used in the UK by the BBC to create Ratz, an animated cat which presents children's television programmes. Televirtual: UK, 0643 767483.

Little supervision for computer games

Parents offer surprisingly little guidance to their children over the types of computer games they play, according to a study by Aston University for Elspa, the European Leisure Software Publishers' Association.

According to the study only 3 per cent of children reported any parental guidance regarding the type of games they played, compared with 58 per cent who reported that their parents determined the type of television programmes they watched. However, the report showed parents were keen to restrict the time their children play computer games. Elspa: UK, 0396 830642.

Calling time for the smaller company

Clocking in and clocking out can be expensive because the paper time cards have to be continually replaced. But electronic time recording systems have often only been available economically to larger companies.

French manufacturer Bodel has eliminated time cards in its BT50 system which is intended for companies with as few as 20 employees. The BT50 uses personal badges, each containing a magnetic stripe. These are swiped through the machine like a credit card. The electronic data gathered by the machines can be sent directly to a personal computer.

There the information can be used in conjunction with payroll software to calculate wages. Bodel: France, 41 71 72 00; UK, 0442 234141.

PEOPLE

Winckler: supervision at SIB

Andrew Winckler, who helped found boutique merchant bank European Capital Company in 1990, has been persuaded to head the supervision division of the Securities and Investments Board for a three-year term.

Winckler, 44, who confesses that it never crossed his mind that he might be a candidate for the new job, says he made the "fairly agonising decision" because he thought it was "a very important job from the City's point of view". He goes on to the SIB board as an executive director alongside chairman Andrew Large and chief executive John Young.

He says the ECC board has given him "leave of absence" and he resigns as a director. It is understood that SIB had been keen to make the appointment a five-year term.

Nor will he join until March next year, giving him time to disengage from ECC, where he has worked on the corporate

advisory side, recently being involved with the water industry and its periodic review. He says that ECC has been profitable for the past two years, and achieved in three years the modest targets set out for the first five, but he says it was not the earnings aspect that complicated his decision to cross the fence.

SIB, fighting to restore its credibility after the Maxwell scandal, has in Winckler a market practitioner who also knows Whitehall from the inside. After 12 years at the Treasury, three of which were spent on secondment to the diplomatic service in Washington, he moved in 1982 to Lloyds Bank International, and from there to Security Pacific Hoare

Overst as an executive director responsible, among other things, for debt and swaps origination.

Deputy chairman of The Securities Association (TSA), which in 1991 became the Secu-

rities and Futures Authority (SFA), Winckler lost out in an election to Christopher Sharpley, who became chairman of the new entity. Winckler remained SFA's deputy chairman.

In August, SIB announced the creation of four new divisions, including supervision, central to Large's review "Making the two-tier system work". Winckler will have responsibility for the "front-line" regulators, including the exchanges and for the professional bodies, and will have a staff of 50.

SIB has also restructured its board, appointing Lord Alexander, chairman of National Westminster Bank, as its deputy chairman. Other new members are Rosalind Gilmore, chairman of the Building Societies Commission; John Kennedy, senior partner of Allen & Overy; Oonagh McDonald, management consultant; and Lord Stewartby, deputy chairman of Standard Chartered.

Jersey pilots new board

Blackburn Rovers' manager Kenny Dalglish must be glad that he is running multi-millionaire Jack Walker's pet football team and not his regional airline - Jersey European Airways - which is having its third shake-up in less than five years.

Barry Perrott, 44, has replaced Trevor Jones, a former pilot, as managing director of JEA and group managing director of its parent, Walker

Aviation. Perrott joined JEA just over a year ago as planning director after 25 years with British Airways. Jones had joined JEA two years ago and is a former president of the European Regional Airlines Association. Michael Robinson, JEA's financial director, is also being replaced.

JEA, which describes itself as Britain's leading independent regional airline, declined to elaborate on the reasons for the management changes.

JEA has a fleet of 16 aircraft and 300 staff; it serves 12 destinations and has been leading the fight for lower fares on the

routes between Belfast and the mainland.

Despite its name, its route network has expanded well beyond the Channel Islands. However, it is facing growing competition on some of its routes and Jack Walker, whose fortune has been estimated at £20m, will be conscious that owning a rapidly growing airline can be even more expensive than owning a premier league football club.

■ Sir Christopher Harding, chairman of BET, has been appointed a non-executive director at the POST OFFICE BOARD.

Hoare flies in to Heathrow Express

BAA, the former British Airports Authority, has appointed an airline man to the post of managing director of Heathrow Express, the planned fast rail link between Heathrow and Paddington in west London.

Rod Hoare is currently managing director of British Airways Regional, a £300m business, and has responsibility for the direct flights from Birmingham, Manchester and Scotland.

Construction has already begun on the £300m Heathrow Express project, a joint venture between BAA, which owns 70 per cent and British Rail, with 30 per cent.

Hoare says his main tasks will be to see that the project is completed on time and within cost and to ensure that the trains are built to a high standard. The new service is intended to reduce the journey time from the airport to Paddington to just 15 minutes from 1997.

Hoare began his career with BOAC, the precursor of BA, spending 16 years with the airline. He was area manager for Syria, Jordan, Iraq and Lebanon when the Lebanese civil war broke out in the mid-1970s. He was the last BA expat to leave Beirut when he was finally forced to shut the office

and move to Jordan and was subsequently awarded the MBE for services to the British community in Lebanon.

He left BA to become chief executive at Sally Line, a ferry operator, and then moved to Pandair, the air freight subsidiary of P&O. He then became director of ground operations for British Caledonian, the airline acquired by BA in 1988.

A fan of Italian opera, Hoare recalls that Verdi's Aida was commissioned to mark the opening of the Suez canal. As far as he knows there are as yet no plans for an opera to commemorate the launch of the Heathrow Express.

Gateway loses finance director

Gateway Group, the supermarket business still struggling under the debt from the leveraged buy-out in 1989, has found a new finance director. Martin Gatto, 43, was headhunted from the private and secretive Sun International leisure group, where he was chief financial officer.

As a consequence of his appointment, Gateway coyly says "Geoff Cooper, the current group finance director, will be leaving Gateway". He will not go empty-handed, as the quiz show host might say. With a three-year rolling contract he is expected to pick up decent compensation, although terms have yet to be fixed.

The perting seems to have been amicable; David Simons, chief executive since January, has now "completed his management team". Cooper joined Gateway in 1990, under David Smith who led the LBO.

Gateway has also found some non-executive directors. They are David Thornham, managing director of Midland Corporate & Institutional Banking - Midland Bank organised the group's financial restructuring in June; Peter Nevitt, president of Mitsui Nevitt Capital Corporation, a 5.4 per cent shareholder in Isocoles; and Alan Giles, managing director of Waterstones Booksellers.

M&S makes one

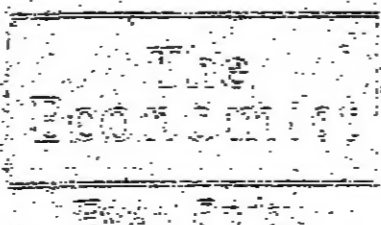
Marks and Spencer, the UK's most profitable retailer, is strengthening its presence in the Far East by appointing a Far East operations director. It is also combining two posts to create a new one of finance director.

Appointed to the Far East is Paul Smith, 53, currently director of US and Canada. As well as supervising M and S's six stores in Hong Kong, and other Far Eastern franchises, he will lead a team making a study of retailing in China and Japan.

He will be replaced in the US by Chris Littmoden, 50, director of financial control - one of two directors responsible for finance functions.

The other, Robert Colvill, 53, currently managing director of Marks & Spencer Financial Services and responsible for the company's treasury department, will take on Littmoden's responsibilities as well as the title of finance director.

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FINANCIAL TIMES

كتاب من الامم

CHRISTOPHER LORENZ



The second barrier was that her message seemed overstated: at the time, many companies were still investing hell-for-leather in costly computer technology; the penny was only just starting to drop that, for IT to pay off, it was no good automating inefficient and

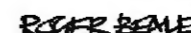
the front line

So Zuboff's time is drawing near – even if many managers are still resisting her message. Fortunately, she has become far better at conveying it in plain – well, plainish – language, as she showed last month at an Economist conference on The Organisation of the 21st Century.

Such freedom will always be relative, depending on the task involved. GE's dishwasher sales staff can be given more latitude than its aero engine inspectors.

Regardless of the circumstances of each case, Zuboff is right in arguing that some redistribution of authority is needed if her "informed" world is to materialize. That's why it may still be some time coming.

One influence is the growing number of graduates with degrees in mathematics and physics being attracted to the financial sector.



is to integrate its cash and derivatives sides more closely, fusing greater communications between the two activities and encouraging a greater exchange of ideas. At a

casual, while some of those who never appeared comfortable in a business suit now appear smarter than ever.

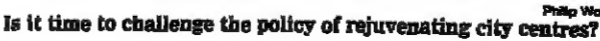
assigning people from other parts of the UK company and from other offices of the US-based parent. In the publication department, where linguistic skills are important, two secondees are being drawn from

Sue Nimmo, an analyst who works at the company's holiday bank, has just returned to work after maternity leave. "Economic circumstances mean that a lot of mothers are returning to work earlier than

Richard Donkin

Richard Donkin

The property market can play a part in reviving UK plc, argues Christopher Jonas



for public expenditure. The only way to achieve this is to formulate a firm set of economic and social objectives, which must encompass the efficient use of the country's vast real estate assets.

Much of the UK's present policy on urban regeneration is not about regeneration at all. It is more about redevelopment. This policy is based on the presumption that if you build on derelict land, you will attract tenants, create employment and regenerate an urban area.

No business would survive its shareholders' wrath if it failed in its duty to compete effectively. Similarly, no management would be allowed to muddle along in world markets without a clear strategy on how best to capitalise on its competitive advantages. We must devise a forum and a format in which those interested can create just such a plan for UK plc. Those of us in the property market must be at the first meeting and play our full part in its future.

The author is senior partner of chartered surveyors Drivers Jonas and immediate past president of the Royal Institution of Chartered Surveyors

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ARTS GUIDE

EXHIBITIONS GUIDE

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Admission: 10-18 fl. 2.50, 19-25 fl. 2.00, 26-65 fl. 1.50, 66-99 fl. 1.00, 100+ fl. 0.50
Special: 10-18 fl. 1.00, 19-25 fl. 0.50, 26-65 fl. 0.25, 66-99 fl. 0.10, 100+ fl. 0.05

Van Gogh Museum
9712 GS Amsterdam
Tel: (020) 636 9100
Hours: 10-6, closed Tuesdays
Admission: 10-18 fl. 2.50, 19-25 fl. 2.00, 26-65 fl. 1.50, 66-99 fl. 1.00, 100+ fl. 0.50
Special: 10-18 fl. 1.00, 19-25 fl. 0.50, 26-65 fl. 0.25, 66-99 fl. 0.10, 100+ fl. 0.05

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Special: 10-18 \$1.00, 19-25 \$0.50, 26-65 \$0.25, 66-99 \$0.10, 100+ \$0.05

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Heavenly encounter

Karen Fricker hails the Broadway production of Tony Kushner's epic play 'Angels in America'

Six months ago Tony Kushner's *Millennium Approaches*, the Pulitzer Prize-winning first half of his epic play *Angels in America*, took Broadway by storm, sweeping the Tony Awards and playing to sell-out houses. *Perestroika*, the second half of *Angels*, which joined *Millennium* at the Walter Kerr Theatre last week, both directed by George C. Wolfe, not only completes the theatrical journey that *Millennium* began, but is a complete dramatic experience of pathos, humour, and insight. The running time for the two plays is a total of seven hours; a different production of *Perestroika*, directed by Declan Donnellan, opened at London's National Theatre last week.

In *Perestroika*, the first play's stories unspool, settle, and resolve with bracing pace and crackling dialogue which is even funnier than that in *Millennium*. Yet it is a darker play than the first; Kushner seems to be reeling the audience in after *Millennium*'s blast of adrenaline. While in *Millennium* the Mormon wife Harper takes a Valium trip to Antarctica, in *Perestroika* she only makes it as far as the Brooklyn Bridge. In *Millennium*, Harper and Prior, the gay man with AIDS, meet in his jewel-encrusted drag fantasy; in *Perestroika*, they meet in a gritty, urban, and even more visceral, Mormon visitors' centre. Prior's heavenly encounter in *Millennium* is that play's *coup de théâtre*: a gorgeous white-winged angel crashes

through his ceiling and calls him a prophet. Prior makes it to heaven in *Perestroika*, but it is a dark and mournful place, with a backdrop of broken columns and a bevy of black-gowned, silent angels; little wonder he rejects their offer of immortality and returns to the flawed earth. The most surprising thing about *Perestroika* is its uplifted ending. There are those who will be unwilling to accept that a writer who lays out what is wrong with the world could, in the same (extended) dramatic breath, embrace the world despite its flaws. Yet Kushner's resolution of the play's plots and themes cannot be faulted on a dramatic level; it is intellectually and emotionally logical and, yes, uplifting: wrong is punished, the good get another chance, and even the most hardened

show the capacity for change. In the epilogue, the arc of the play that rises during *Millennium* and descends throughout *Perestroika* completes its journey. Prior closes the play by speaking to the audience the words the angel gave him at the end of *Millennium*: "the great work begins". It is a challenge, and an act of benediction. The work for us may be just beginning, but for Kushner it is finally complete. He has turned *Perestroika* around since its world premiere in Los Angeles last November, when it appeared as a deeply flawed attempt to tie up *Millennium*'s strands. Kushner transformed *Perestroika* not by adding new material but by cutting and reshaping. While director Wolfe's work on *Millennium* was sketchy and tentative, he directs *Perestroika* with

subtlety, verve, and intelligence. *Millennium* dragged, but *Perestroika* clips along, its comic timing acute, scenes intersecting and overlapping in a contained explosion of energy. While Robin Wagner's set of revolving walls and sliding panels, which both plays share, seemed an unhappy compromise in *Millennium*, the design is put to livelier use in *Perestroika*. Wolfe's excellent cast has only improved since *Millennium*. Stephen Spinella, who has played Prior since *Angels*' first production in San Francisco in 1991, is still breathtakingly fresh in the role. Kathleen Chalfant moves between roles, from the "world's oldest living Bolshevik" in the prologue to the tight-lipped Mormon mother, to Ethel Rosenberg, with extraordinary ease. In Wolfe's *Millennium*, Ron Leibman had every look of an actor out of control as Roy Cohn - all spitting, gasping intensity; here it keeps that fierceness in check and his deathbed rantings are both harrowing and hilarious. Marcia Gay Harden's Harper is a revelation: she combines childish petulance and womanly longing to make what previously seemed an unplayable character one of the play's central figures.

Pop/Antony Thornecroft

George Michael

Pop stars, naive sweeties that they are, still believe that the 1990s is the caring decade. Many of them seem to have abandoned their careers in favour of charity fund raising and AIDS is the cause closest to their hearts. So good will, sentiment, love and peace, and an overwhelming atmosphere of self-righteousness, temporarily converted Wembley Arena into the ark of the new covenant on Wednesday night.

George Michael had organised a Concert of Hope, and the Princess of Wales was there. She received the sort of reception usually reserved for U2, but did not join Michael in the Wham Rap. She deservedly let him pick up the laurels. Michael is in an odd sort of limbo at the moment. He is in a well publicised legal dispute with Sony, his record company, which he accuses of inhibiting his creative development. He wants artistic respect: they want a mega pop star. So occasions like the Concert of Hope are his best, if not only, opportunity to touch his fans. They loved him. There were few signs of the higher seriousness. He still manages a three day growth of beard; he still wiggles his hips like Cliff Richard in 1980. He hardly needed to give a twitch to get the audience to stand and stomp and clap him through his newly adopted theme tune, one which

he might share with the Princess, "Freedom". But the emphasis is on the voice. Michael sings now with the fullest throttle and he has a weakness for the big ballad, like "Love's in need of love today". On the oval stage, set in the heart of the Arena, he showed no signs of rustiness; it was a dominating, assured, performance, culminating in an extended "Everything she wants".

Michael was very much the ring master of his three star circus. His two supporting stars were Mick Hucknall, of Simply Red, and k.d. lang. I'm worried about Ms lang. I loved her when she was a Canadian cowgirl, with a feel for the sentimental ballads of the 1940s, a kind of spunky Garrison Keillor. I was even charmed by the modesty of a lower class name. Now success has turned her into an unstoppable torch singer, swathed in layers of white sheeting and stomping around the stage fighting an unsound system. She is just plain old Karen Lang, the cabaret circuit queen.

But Hucknall delivered in spades. He really is honey voiced and he gave the audience what it craved, a string of hits, including the modern classic "Stars". He caught the easy going, celebratory, uncritical mood of the occasion. The MC was a restrained David Bowie, acting as the voice of conscience on an escapist evening.

Concert/David Murray

Sawallisch's Strauss

On Tuesday the London Philharmonic had Wolfgang Sawallisch again as their conductor, in the Royal Festival Hall. He is 70 now, and one of the last masters of his generation: infinitely knowledgeable about the Austro-German repertoire, hugely skilled at making his orchestras understand what he wants and play up to it. We should treasure Sawallisch.

The LPO played Strauss's auto-celebratory *Symphonia Domestica* for him. It is the composer's most unnecessary big work. It came at the end of his "symphonic poems", in 1903 - even before the *Salmir* which turned him into an opera-composer for the remaining half of his long life. Enthusiasts praise the intricacy of its counterpoint: all those martial and familial *Leitmotive* so forcibly welded together, in opulent orchestral dress. But the original mood was surely the three-times conjunction in Wagner's *Meistersinger* Overture - the Mastersingers, the Prize Song and the Apprentices all at once. (Having read the programme-notes, we pride ourselves upon noticing that.) List's reaction to it was scathingly honest: something like "Ah, so you're doing counterpoint then!" There is a great gap between that kind of conscious exercise, like Strauss's *Symphonia*, and (say) the vital, fluent interplay of parts in *Tristan*. On the other hand, every musical element in the *Symphonia* boasts Strauss's hallmark. If there is something facetious about the "symphonism", his ubiquitous personality is vivid and real as could be. Sawallisch has

always struck me as a pragmatic, intelligently sceptical interpreter, disinclined to attach weight to anything but what is actually embedded in the notes. Here, he captured the lusty colours and the just emphases for every moment in the inflated score; the result was transparent, far beyond the norm, superbly controlled and grandly disarming.

Earlier, he introduced us to Werner Egk's 1949 "French Suite after Rameau", which few of us will ever hear again. Its five movements are bright, angular, quirky fantasies on harpsichord pieces by Rameau: some dissonant birdsong, a jack-booted Gigue, a smoochy elaboration of "Les tendres Plaintes". They fairly breathe their sweet-and-sour postwar period, which Sawallisch must know through and through. From 30-odd years ago I retain friendly memories of Egk's *Die Verlobung in San Domingo* a Latin-American *Rim* not piece, and hope that the ENO may one of these days try it on.

In Bruch's celebrated G minor violin concerto - period stuff - Sawallisch supplied a faultlessly sympathetic accompaniment for young Leonidas Kavakos, replacing the phenomenal Maxim Vengerov. (That still-younger Siberian emigrated a few years ago to Israel, and has been called up for his National Service there; we must hope that he is not hurt a finger or a wrist, for he is irreplaceable.) No invidious comparisons: the Kavakos technique was equal to every demand, and his plain, open sincerity about where more seasoned and cynical violinists resort to flashy tricks-of-the-trade. We shall hear much more of him.

Theatre Bogdanov's Julius Caesar

The English Shakespeare Company is in the midst of what may be its last tour in its present form. Since it was founded under Michael Bogdanov in 1986, it has provided a mixture of the inspired, the perverse and the indifferent. Its *Julius Caesar*, currently playing at the Shaw Theatre in London, contains the same mixture, though perhaps with less emphasis on the inspired.

The women are outstanding: Mariana Jones as Calpurnia, wife of Caesar, and Caroline Harris as Portia, wife of Brutus. They almost succeed in showing that it they had been in charge, the tragedy would never have happened. In the scene where Portia speaks of giving herself a voluntary wound in the thigh to show her constancy, Ms Harris savagely stabs herself in the upper leg.

There is also new meaning in Caesar's line: "Let me have men about me that are fat." This Caesar, played by David Sterne, is a paunchy figure, certainly not obese, but well-endowed. Dressed in a camel coat, no tie and a long white evening scarf, he looks a jolly enough fellow, perhaps presiding over a rugby club rather than imperial Rome.

Terry McGlincy's Cassius is very impressive, a genuinely worried man, possibly rightly convinced that Caesar must go. And it is here, as in several other recent productions of the play, that one notices a change in sympathies. Tradition had it that Brutus



Burt Caesar as Brutus and Terry McGlincy as Cassius in the English Shakespeare Company's production

was the noblest Roman of them all. Cassius was a conspirator not much to be said for him. Mark Antony was a chancer who emerged as the hero. Modern taste has begun to lean more towards Cassius as the most interesting figure. Certainly in this ESC production, directed by Tim Carroll, Brutus is a very dull man by

contrast. Played by Burt Caesar, he seems neither the brightest or the noblest. Alex Hardy's Antony is more of a pop star. When he incites the crowd at Caesar's funeral, he employs deliberate hysteria from the start. There is no gradual build-up. And when he makes his final comment on Caesar at the end of the play, it is almost flip.

He tosses off the lines about nature standing up to all the world and saying "This was a man" as if they had only just occurred to him and will be as quickly forgotten. The production is done effortlessly in modern dress. More puzzling is why the set, designed by Rae Smith, seems to be vaguely South African. It adds nothing to the play, but nor does

it particularly detract. The ESC is sponsored by IBM. Next week at the same theatre Bogdanov will present his version of the Faust legend, designed especially for children.

Malcolm Rutherford

Shaw Theatre, NW1. (071) 388 1384

Ballet/Clement Crisp

'The Nutcracker', Kirov style

Drosselmeyer's disease is a mysterious scourge. No respecter of persons, it afflicts dancers, public managements - even critics, who might be thought to be immune - with a mindless desire to see or perform *The Nutcracker*. Defeat is often part of the sickness, since versions of the ballet can be stupid, revisionist, loaded with as much gimcrackery as a Christmas tree. Yet maddened by a need to hear the score, and often to traduce it; crazed by a just-for-snowflakes, giant mice and toy soldiers - you may judge how hideous are the symptoms - the victims flock to theatres, seeking alleviation for this syndrome. Like flu it is a winter hazard, and like the new Beijing strain, it is among us now.

Five different stagings are threatened this year: the first outbreak, and I'd venture the size of Birmingham's Royal Ballet - is well

mannered in technique, with a style that speaks clearly of Kirov example. It looks, even in the merry nonsense of *Nutcracker*, coherent as an ensemble, unified in training. The production they bring is a bit of a muddle, but since this visit has been arranged at breakneck speed (the Ballet du Nord's defection was only six weeks ago) we can accept a somewhat routine air to the narrative, and be grateful for the central seriousness of the event.

The production is by Nikolay Boyarchikov, a former director of the company, and is curiously in dramatics. Its fascination is that it incorporates much of the *Nutcracker* choreography made in 1934 by the eminent Lenin-

grad ballet-master Vasily Vainonen. We have seen some of this before in Kirov performance, and its surely made classicism argues the importance of Vainonen as a creator. What is new to us, and remarkable, is Vainonen's fashioning of the snow-flakes' waltz. Bold in shape, driven and swirling through shifting patterns, the dance evokes not the gently drifting snowflakes we are used to, but a storm of Russian snow as it falls. I thought it beautiful in its sweep, and excellently done by a strong female corps.

The company is lively in this, as in everything. Though the dramatic line of the first act is unconvincing, because Drosselmeyer is unclear as a

motive force, the dancers are enthusiastic, and the thin "look" of the production (Soviet-filmy in Act I; much more magical with the snow-scene) must be excused because of the haste of this visit. The child heroine, Mascha, was taken on Wednesday with real charm and, when transformed into the second act's ballerina, with brilliancy of means by Elena Kulagina. Vainonen's culminating gift to Mascha is the great pas de deux, which he turns into a display of pyrotechnics by giving the ballerina five cavaliers who throw and catch her in *bravura* fashion. (It is a fascinating period piece in evoking the acrobatic manner favoured in Soviet ballet during the 1930s). Kulagina, gleaming, effortless, is a delightful exponent of its manner.

Her chief cavalier, Vitaly Poleshchuk, is clean in style, elegant. The diversifications of the second act show that the Perm company has lively soloists: I hope we shall see them again in a more searching repertoire. The score is recorded, and well-played by an excellent but unnamed orchestra.

As a most intriguing sidelight on *Nutcracker*, Derrigate has brought over a small exhibition of designs for this ballet from the archives of the Bolshoi Theatre. Some 60 costume designs are on view, by Konstantin Korovin for the Bolshoi's 1919 production by Gorsky, and by Vladimir Dimitriev for Asaf Messerer's 1939 staging. They are fascinating, important.

The Nutcracker at Derrigate Theatre, Northampton, until December 11.

INTERNATIONAL ARTS GUIDE

EXHIBITIONS GUIDE

AMSTERDAM Stedelijk Museum Donald Judd: a selection of the American artist's sculptures from Dutch public collections. Ends Jan 23. Daily Van Gogh Museum Georges de Feure: an exhibition devoted to the Symbolist painter and Art Nouveau designer. Ends Feb 13. Film: Bracquemond: 40 works by the Frenchman who took part in the late 19th century revival in decorative arts and printmaking. Ends Feb 13. Daily Rijksmuseum The Ottens Atlas. Ends Jan 30. Closed Mon

BALTIMORE Museum of Art William Paley Collection: 70 works by Cézanne, Matisse, Picasso and others. Ends Jan 9. Closed Mon and Tues Walters Art Gallery Sacred Art of Ethiopia: an exhibition tracing the Christian history of Ethiopia through 100 icons, illuminated manuscripts and liturgical goldsmiths' work from the fourth

to the 18th centuries. Ends Jan 9. Closed Mon

BERLIN Martin-Gropius-Bau Japan and Europe 1543-1928. Ends Dec 12. Closed Mon Museum für Ostasiatische Kunst Early Chinese Bronzes from the Klingenberg Collection. Ends Jan 9. Closed Mon Museum für Islamische Kunst Imaginary Animals in Islamic art. Ends Jan 31. Closed Mon and Tues Ägyptisches Museum Thomas Mann and Egypt. Ends Jan 9. Closed Fri Brücke Museum Ernst Ludwig Kirchner: drawings and watercolours by the German expressionist painter. Ends Jan 9. Closed Tues Kunstgewerbemuseum Interior Design in Germany in the 1950s. Ends Jan 31. Dragons of the North: Norwegian golden-age artwork from the turn of the century. Ends Dec 30. Closed Mon

BIELEFELD Kunsthalle Picasso's Late Work 1966-72: paintings and drawings from worldwide collectors. Ends Jan 30. Closed Mon

CLEVELAND Museum of Art 18th Century Art in Japan: scroll paintings, screens and ceramics illustrating the vitality of Japanese art of the period. Ends March 6

DUISBURG Wilhelm-Lehmbruck-Museum 20th century Catalan sculpture: the exhibition, drawn from public collections in Barcelona, features

works by Gonzalez, Picasso, Dalí, Tapes and others. Ends Jan 2. Closed Mon

FLORENCE Museo Pecci Robert Mapplethorpe: a retrospective of the talented and provocative photographer who concentrated on religion, race and sex and died of AIDS in 1989. Ends Jan 7. Closed Tues Galleria del Costume di Palazzo Pitti Fashion at the Court of the Medici. Ends Dec 31.

FRANKFURT Städel Museum Florentino's Madonna with the Child John. Ends Jan 30. Closed Mon

GLASGOW Burrell Collection Degas in Bronze: the complete set of 73 sculptures, including The Little Fourteen-year-old Dancer, plus paintings and pastels from the Burrell's own fine collection. Ends March 13. Daily Hunterian Art Gallery C.F.A. Voysey: decorative designs 1880-1930 showing his outstanding skills as a designer of fabrics and wallpapers. Ends Jan 22. Closed Sun

HAMM Gustav-Lübcke-Museum Secret Treasures of Egypt's Tomb: this newly-opened museum brings together North-Rhine-Westphalia's rich public collection of ancient Egyptian artefacts, which are being exhibited for the first time for many years, alongside the museum's growing collection of 20th century art. Ends Feb 27. Closed Mon

LONDON Victoria and Albert Museum Art of Holy Russia. Ends Jan 8. Daily Accademia Italiana Renaissance Florence: The Age of Lorenzo the Magnificent 1449-92. Ends Jan 23. Daily Tate Gallery Ben Nicholson. Ends Jan 9. Daily Royal Academy of Arts Great Master Drawings from the Getty Museum. Ends Jan 23. American Art in the 20th Century. Ends Dec 12. Daily British Museum Drawings from Chatsworth: 120 sheets by artists including Dürer, Holbein, Rembrandt, Rubens and Watteau. Ends Jan 9. Daily Hayward Gallery Alphonse Mucha: retrospective of the Czech Art Nouveau artist. Ends Dec 12. Roger Hilton: 100 works by one of the most vital British painters of the postwar period. Ends Feb 6. Daily

National Portrait Gallery Thomas Eakins: retrospective of the 19th century American portraitist. Ends Jan 23. Daily National Gallery The Wilton Diptych. Ends Dec 12. Ken Kiff: a sampling of the work of the Gallery's second associate artist. Ends Jan 9. Daily

MADRID Prado Goya: cabinet pictures, sketches and miniatures. Ends Feb 15. Fundacio la Caixa J.M.W. Turner: drawings and watercolours from the Tate Gallery in London. Ends Jan 20. Closed Mon Centro de Arte Reina Sofia Vienna 1900. Ends Jan 10. Agnes Martin

retrospective. Ends Feb 21. Closed Tues

MUNICH Kunstheile der Hypo-Kulturstiftung Winterland: more than 80 paintings by Norwegian painters of the 19th and 20th centuries. Ends Jan 16. Daily Staatsgalerie moderner Kunst Elta and Otto Stangl Collection: 280 paintings form a tribute to the Munich couple whose gallery supported young German artists after the war and who collected works by Klee, Beckmann, Jawlansky and Pollock. Ends Feb 13. Closed Mon Akademie der schönen Künste Henri Michaux (1899-1984): 130 paintings and drawings by the French poet and artist. Ends Jan 9. Closed Mon

NEW YORK Metropolitan Museum of Art of Medieval Spain. Ends March 13. The Annenberg Collection of Impressionist and Post-Impressionist Paintings. Ends mid-Dec. Master Drawings of the Hudson River School. Ends Dec 26. The Elephant and its Ivory in African Art. Ends Feb 27. Fusuma Paintings from Ryōan-ji and the Lore of China in Japanese Art. Ends April 24. Closed Mon Guggenheim Museum Roy Lichtenstein. Ends Jan 16. Industrial Elegance: objects of everyday mechanical beauty selected by 63 architects and designers. Ends Jan 23. The main museum is closed on Thurs, the SoHo site on Tues

Museum of Modern Art Joan Miró: 400 paintings, drawings, sculptures,

ceramics, prints and illustrated books by the Catalan master. Ends Jan 11. Robert Rymen. Ends Jan 4. Closed Wed

PARIS Musée d'Orsay From Cézanne to Matisse: Masterworks from the Barnes Foundation. Ends Jan 2. Closed Mon, late opening Thurs (reservations: 4410 7300 or at Franc shops) Musée d'Art Moderne de la Ville de Paris Around a Masterwork of Matisse: the three monumental versions of the Dance ordered by Dr Barnes for the principal gallery of his foundation in Merton are shown for the first time side by side, together with preparatory sketches and photographs. Ends March 6. Closed Mon (11 ave du Président Wilson) Louvre The newly-opened Richelieu wing completes the major part of a grandiose project to transform the former royal palace into the Grand Louvre. It houses the collections of Islamic art, medieval art (including the Treasury from the Abbey of Saint-Denis), Rembrandts, Rubens and French paintings from the 15th to 17th centuries. Two covered courtyards display French sculpture under gigantic glass roofs, while a third is a reconstruction of two facades of the Assyrian palace of Khorsabad. Closed Tues (entry through Hall Napoleon under the Pyramid) Versailles Versailles and the Royal Tables of Europe from the 17th to 19th centuries. Ends Feb 27. Closed Mon

PRAGUE

Convent of St Agnes of Bohemia Images of Dante in Czech Visual Arts. Ends Feb 13. Closed Mon (U Míroslavských 17, Stars Mesto)

St George's Abbey 16th and 17th Netherlandish Drawings from the National Gallery's collection. Ends Jan 2. Closed Mon (Prague Castle)

ROME Palazzo dei Conservatori Rediscovering Pompei. Ends Feb 12. Daily Galleria Giulia Lithographs by Max Beckmann and George Grosz. Ends Dec 7. Closed Sun and Mon (Via Giulia 148) Calcografia Antonio Canova and Engraving: an exhibition showing the importance attached by the Venetian sculptor to the quality of the numerous engravings made of his sculptures. Ends Jan 6. Daily (Via della Stamperia 6)

WASHINGTON National Gallery of Art The Age of the Baroque in Portugal. Ends Feb 8. Ends Jan 17. Daily Hirshhorn Museum Willem de Kooning. Ends Jan 9. Daily Walters Art Gallery Artists of Eooven. Ends Feb 8. Closed Mon Textile Museum Safavid Persian Textile Arts: textiles and carpets from the 17th century, a golden age in Persian textiles. Ends May 1. A Textile Journey in Japan: garments and household furnishings illustrating the use of textiles in daily life from the late 18th to early 20th centuries. Ends Feb 27. Daily

For seven years, Merck, the world's largest drug group, has been voted Fortune magazine's most admired US company. Its reputation has been based on a talent for discerning and developing new medicines, innovative and successful joint ventures, and an apparently remorseless ability to achieve double-digit earnings growth.

But Merck's global standing, and the judgment of Dr Roy Vagelos, its charismatic chairman, are now being questioned. Sales growth is faltering, battered by an increasingly competitive environment; the launch of Proscar, a treatment for enlarged prostate, has been disappointing; and Merck has lost its exciting new drugs in the pipeline.

In addition, the decision of the company remains unclear after Dr Vagelos's retirement next year. His heir apparent and chief operating officer, Mr Richard Markham, resigned unexpectedly in July. No obvious successor has emerged.

Concerns among shareholders that Merck had lost its way were heightened soon after Mr Markham's departure, when the group announced its intention to acquire Medco Containment, a drug mail order company, for \$30m. Medco has an annual turnover of \$2.5bn and net income of \$138m.

The deal, which has been given the go-ahead by regulatory authorities, is a radical departure for Merck, and signals a shift from research and development to distribution.

The acquisition has been described as a watershed in the drug industry. Dr Vagelos says: "We're not just trying to remodel Merck, we're trying to remodel the entire industry. The rest of the sector normally follows what we do."

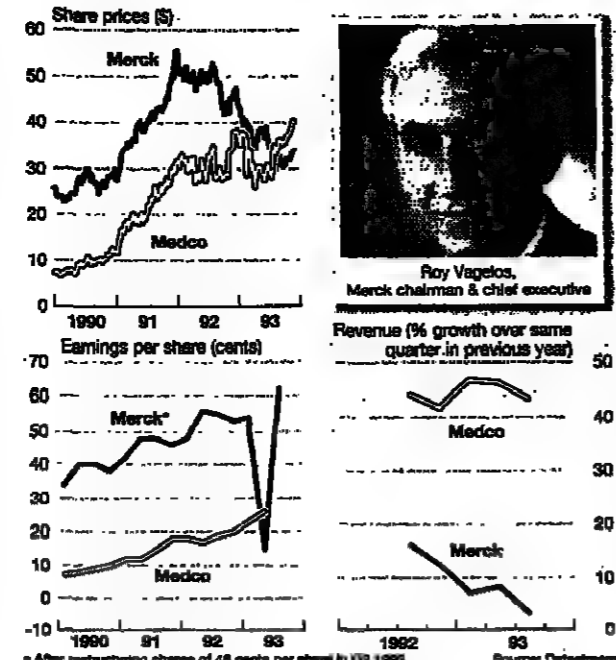
However, industry executives and the investment community remain divided over the move. Some view it as visionary and inspired. Others believe the acquisition was overpriced and will offer no lasting competitive advantage in pharmaceutical marketing.

The Medco acquisition is Merck's response to the rapid changes overtaking US pharmaceuticals. In the world's largest market, hospitals and doctors are banding together to negotiate bulk discounts in an effort to keep down healthcare costs. Merck estimates that in 1991 only 33 per cent of health provision was supplied through bulk buyers, known as managed care organisations. Within two years, it forecasts the figure will be 67 per cent.

Treatment for faltering growth

Paul Abrahams examines the health of US drugs group Merck

Merck: will market marriage work?



Merck believes the implications of this consolidation are momentous. It is particularly being hit by discounts in the highly competitive markets of cholesterol-lowering treatments and medicines for hypertension.

Bulk buying has been accompanied by greater prescribing of generic drugs, which are less expensive than their patented counterparts. Kline, the New York-based industry analyst, believes the generics sector could double to \$10bn between 1993 and 1996. The growth of generics will accelerate as patents expire over the next two years, including that of Bristol-Myers Squibb's Capoten, a heart drug with worldwide sales of \$1.6bn.

"Competition has already lowered prices of drugs," says Dr Vagelos. "Annualised price increases to the third quarter of 1993 averaged only 3.5 per cent. That compares with 9.9 per cent in 1990. We see price increases as a thing of the past." The healthcare reforms being prepared by the Clinton administration will exacerbate the industry's plight, he adds. As a result, the growth of the

large US companies with medical cover for employees for an annual set fee per head.

"We will share the risk. One of our drugs is Proscar, which is fantastic for stopping the growth of benign prostate enlargement. We are talking to customers about putting their money on our drug and then guaranteeing they will get relief. If not, we will pay for the operation needed to deal with it."

Not all are convinced by Dr Vagelos's vision of integrated pharmaceutical care. Mr Ronald Nordmann, pharmaceutical analyst at PaineWebber, the New York broker, says: "I've recommended Merck as a buy every day since 1985. But when it announced its intention to buy Medco, I stopped."

One criticism of the Medco deal is that Merck, with its bureaucratic organisation, will be unable to manage the entrepreneurial mail order group. To counter this perception Merck could install Mr Martin Wygod, Medco's free-wheeling chairman, as its chairman when Dr Vagelos retires. Mr Wygod is already due to join the board.

Other criticisms centre on the possible antagonism of Medco's suppliers and customers. The suppliers, for the most part Merck's competitors, could prove unwilling to supply drugs that boost Merck's profits. Managed care customers may be concerned they will increasingly be offered only Merck's drugs, which may not be the best or cheapest options.

Finally, it is not clear whether the advantage offered by Medco is sustainable. Merck's competitors could form similar ventures, or gain access to more comprehensive databases at less cost from insurance companies - an idea they are now contemplating.

If Medco's growth slows and fails to generate a significant increase in volume for Merck, the deal could prove a drain on profits. Medco's \$50m price tag could be an expensive entry fee into distribution.

"It could prove to be the most brilliant deal in the history of the pharmaceutical industry, offering vertical integration and allowing Merck to get closer to its customers. This will allow us to capture more and more data on the individual, the diagnosis, and the doctor," he explains.

He believes Medco's large databases will give Merck valuable information about the cost-effectiveness of its treatments. In a scheme known as capitation, Merck intends to use this information to provide



Mr Kenneth Clarke is bemused by the effect of his Budget. He must have anticipated groans about the increases in tax, or the pressure on spending. Instead there is euphoria, and not only in the markets. This could be a worry. The chancellor has been in politics long enough to be aware of the superstition that if you are greeted by cheers on the day of delivery, there is trouble in store. If the economy doesn't get you, your admirers will.

We can consider some of the possible pitfalls in a moment. First it must be emphasised that the Budget has achieved its purpose. It has started the process of restoring the government's authority. This remains as true three months after delivery as it did on first hearing Mr Clarke's words on Tuesday. The chancellor had one aim: to begin to lift Mr John Major's administration out of the hole into which it had fallen. The party, and with it the electorate, had to be shown that Downing Street was back in control of economic policy, following 14 months of destabilisation.

Mr Clarke reckoned that his best bet was to produce proposals that would eventually eliminate the \$50bn deficit. All else followed. The public was prepared to expect more austere measures than it had emerged. This was a routine pre-Budget ploy. The actual cuts and impositions were chosen for their likely acceptability on Conservative backbenches. Nice thoughts about creating a symmetrical or coherent system of taxation were suppressed as irrelevant.

The speech was carefully

crafted. Aware that the House of Commons will not listen to anyone for longer than about 90 minutes, the chancellor pruned his words ruthlessly. The traditional, lengthy worldview of the state of economies here and everywhere was omitted - although Treasury officials would have included one had they been asked. The new unified tax and spending Budget, which enabled the chancellor to announce many decisions in one go, provided him with a unique platform. He would not be Kenneth Clarke if he was not aware that this hugely strengthened the power of the chancellor, and thus his influence with the rest of the government.

This enabled him to make quick or possibly controversial decisions, without being over-

ly concerned about the prime minister's reaction. His predecessor, Mr Norman Lamont, was not so fortunate. To take one example, Mr Major was always unsure about changing invalidity benefits. The upshot of the chancellor's efforts to spread the burden was that numerous small items were necessarily squeezed into an address that turned out to be of greater significance in stating government policy than the Queen's Speech at the opening of parliament. Mr Clarke may or may not make it to No 10 Downing Street, but this week he is taking some of the delights of being first among equals.

That said, the government is not out of its hole yet. Take taxation. The shadow chancellor, Mr Gordon Brown, has made a good start to what will be an energetic, and sensible, Labour campaign to remind

the electorate that it was hoodwinked by the Tories in April 1992. The Conservatives promised lower taxes, no extension of value added tax, and no increase in national insurance contributions. All three undertakings have been cast aside. This may have an effect on future election results, although I doubt it. Much depends on the attention-span of the average voter. It is as long as that of an elephant - or do most of us have the political memory of a goat?

Public spending cuts may be a more serious problem. The reductions depend on squeezing public sector pay. The hardest hit sector is probably local government. Think ahead, as Mr Clarke surely does, to next April. Picture the scene. A new bargaining round has begun, but so far the government's freeze is sticking. In come the higher taxes and VAT on domestic fuel, ordained by Mr Lamont in March and Mr Clarke this week. The inevitable upwards blip in inflation created by the Budget makes itself felt. People who have nodded over the favourable comments made since Tuesday suddenly notice where Mr Clarke's fiscal prudence is coming from: their pockets.

Plenty of work for the trade unions, and Mr Brown, there. The supposed government stick to the welfare state is another potential vote-loser for the Conservatives, at least in Labour eyes. But is it? The rhetoric of Mr Michael Portillo and Mr Peter Lilley has a calculated purpose. These hatchet-men of the right are working to a long timetable. They are believers in the minimal state, but they are wise enough to

proceed slowly, softening up opinion in advance, threatening more than they do. Their aim, which they pursue with skill, is ever to push forward the frontiers of the thinkable. Mr Clarke is not a philosopher. His Budget contained nothing on the social security side that is not defensible in its own terms. If it hit Portillo-Lilley targets, they were soft ones. More effective rules for invalidity benefits are common sense. Asking unemployed people to draw on their own savings, if they have any, after six months on contributory benefits is tough, but Beveridge would have understood. Making the system more like welfare is welcome. Equalising the state pension age at 65, after two decades' notice, is overdue. Throwing in a new benefit to help mothers who take low-paid jobs to finance childcare was Mr Clarke's signal to the moralists of the right.

When the chancellor had gone through his Budget at Tuesday morning's cabinet meeting, several ministers spoke on the welfare state. The upshot was a concordat between right and left. "This government will never take part in any attempt to dismantle the welfare state," Mr Clarke said in his speech later that afternoon. Any deal has a price. "We must make sure that it is a system that future generations will be able to afford," he also said. Labour cannot successfully quarrel with that. It will have to wait until its Commission for Social Justice has reported next summer before it can join with the minimalists' arguments. The Labour leader, Mr John Smith, should not dilly-dally for too long. If the Conservatives have the will to build on what has been a good week for them, they will stop looking like losers comfortably in advance of a 1996 election.

Joe Rogaly

First among equals

Clarke knows that if you are greeted by cheers there is trouble in store. If the economy doesn't get you, your admirers will

LETTERS TO THE EDITOR

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Textiles bargaining tactic heavy handed

From Mr Harriet Lamb

Sir, Mr J A Nightingale, chairman of the Apparel, Knitting and Textiles Alliance, calls (Letters, November 30) on developing countries to lift their barriers to textiles and clothing in exchange for the phasing-out of the Multi-Fibre Arrangement (MFA).

The MFA is a legalised derogation from the General Agreement on Tariffs and Trade, imposed on developing countries as a "temporary measure" 30 years ago, imposing unilat-

eral restrictions and then using them as a bargaining chip to get access to developing nations' markets amounts to heavy-handed tactics, not at all conducive to good trading relations.

At Punta del Este, to which Mr Nightingale refers, governments in fact agreed to ensure that developing countries received "differential and more favourable treatment". Their declaration stated: "Developed countries do not expect reciprocity in their reduction of

barriers to trade to developing countries, that is they do not expect developing countries to make contributions which are inconsistent with the individual development, financial and trade needs."

Ending the MFA is one of the few benefits which the Gatt proposal offers developing countries. Diluting those gains by further extending the MFA or pressing for yet more reciprocal actions - options which President Clinton is now exploring - would seriously

undermine their economic prospects.

Mr Nightingale is right to call for serious bargaining. But surely, instead of trying to wring yet more concessions out of poor countries, his industry would do better to focus on the tariffs ranging from 35 to 60 per cent imposed on European textiles by South Africa, Australia or the US.

Harriet Lamb, campaigns officer, World Development Movement, 25 Beesley Place, London SW9

Short of a TV channel

From Mr John Hambley

Sir, Michael Grade (Letters, November 27) may be right to say that the concentration of power in too few TV hands threatens the free market designs of the 1990 Broadcasting Act.

But he mentions only two of the three radical proposals on which the Act's intentions rested. In addition to the Channel 3 licence tender and the separation of Channel 4 as an advertising competitor, the Act instructed the Independent

Television Commission "to do all they can to secure the provision" of a Channel 5 for the UK.

It is not evident that the ITC has carried out parliament's wishes, and now is surely the time to ensure that they do so. Advertisers, viewers and independent producers would be the beneficiaries.

John Hambley, executive producer, Euston Films, Pinewood Studios, Iwer Heath, Bucks SL9 0NE

Direct debits more efficient

From Mr Richard Tyson-Davies

Sir, Mr T J Walsh (Letters, November 25) describes the giro payment system available in Switzerland and suggests that British banks should be taking similar steps to reduce cheque volumes. He misses the point. Most households in the UK already use an even more efficient way of paying their regular bills: the direct debit scheme. Once a direct debit instruction has been signed, no further action at all is required by the customer and, even if he is abroad or otherwise unable

to attend to his affairs, the bill still gets paid on time.

His peace of mind is further enhanced by the provision of a money-back guarantee in the very rare event that an error occurs. The scheme is actively promoted by UK banks and building societies and, indeed, more than 1bn in direct debit payments will be made in 1993.

Richard Tyson-Davies, head of public affairs, Association for Payment Clearing Services, Mercury House, Triton Court, 14 Finsbury Square, London EC2A 1BR

Dealing with late payers

From Mr David Rex

Sir, While the adverse impact which late payment of trade debt has on company cash flows cannot be denied, we can hope that the government undertakes an objective assessment of all the causes before being seduced into seeing the statutory right to interest on late payment as a panacea.

Working in this area for clients both large and small, we continue to find that many of the causes of late payment lie within the seller's own sales and delivery process. This includes, for example, poor specification of contractual terms and failure to invoice, or invoice correctly, until well after supply. Looking inwardly and addressing internal operating deficiencies may prove harder than placing all responsibility for late payment on to the customer but, in our experience, this approach has always achieved reductions of more than 50 per cent in overdue debt outstanding.

Of course there are management which are bad payers as a matter of intent, and sellers need the means to secure swift and just redress. However, for small businesses, in particular, the existing legal process is seen as slow and cumbersome, with the likely result not expected to accord with the resources required to achieve it. Rather than adding more legislative burdens to inadequate mechanisms, the government would do better to make the existing legal process in this area work more effectively for the plaintiff.

David Rex, David Rex Associates, 131 Newtown Road, Worsley, Hampshire SO3 9QY

From Mr Martin E Simons

Sir, Mr Nigel Wilkins (Letters, November 26) makes an excellent suggestion: that names of directors of failed companies should be published. But this should be augmented by names of directors and companies (and of their ultimate holding company) that failed to pay their bills on time - which contributes to business failure.

No public honours should be awarded to directors of companies which impose inequitable or untimely payment arrangements on their suppliers. Martin E Simons, 24 Granard Avenue, London SW15 6EJ

Thorp: plutonium safeguards one thing, security costs another

From Dr Michael Grubb and Professor Trevor Taylor

Sir, The extensive debate on Thorp in your pages has missed points of central importance. The measures employed to safeguard the plutonium separated will add further to the costs but cannot resolve the fundamental security problems.

The global surplus of separated plutonium is a fact affirmed as a serious concern by the then deputy director of the International Atomic Energy Agency at this institute a year ago. The world cannot develop enough capacity to burn up this surplus over the next few years. Consequently, any plutonium from Thorp which is consumed in civil applications

will be partly at the expense of leaving other plutonium in more diverse and vulnerable locations for longer. This includes both weapons grade material arising from super-power arms reductions, and reactor grade plutonium (which is quite adequate for terrorist weapons) in various countries. Even if every atom separated at Thorp is burned as promised, it thus exacerbates a difficult security problem.

The safest solution to the security problem is to place all separated plutonium in a physically inaccessible form (vitrification) and/or secure international repository (which could include Sellafield). But the relevant governments - including

Russia - are reluctant to contemplate this due to their perception of plutonium as a potentially valuable fuel. Thorp's operation, and claims about the value of its products, will reinforce this myth.

Thorp's operation may mean fissile material being held in a range of states which may not use it for decades, a period in which their political orientation may shift dramatically. It will be difficult to refuse custom from currently "acceptable" regimes, even if they may be politically unreliable in the longer term. Governments holding plutonium stocks for genuine civil purposes may also provoke fears among their neighbours. There are signs that South Korea may seek

plutonium should Japan's stockpile increase.

Finally, the security regime surrounding the separation, storage and transport of plutonium from Thorp is impressive. But how much will it cost, and who is going to pay? Unless the requirements are fully costed and accounted for, not only is the economic case distorted, but the regime itself may eventually be weakened by financial constraints, as has occurred previously with IAEA safeguards operations.

Michael Grubb, Trevor Taylor, The Royal Institute of International Affairs, Chatham House, 10 St James's Square, London, SW1Y 4LE

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Friday December 3 1993

Sold a pup — again

Instances of predatory behaviour by British insurance salesmen have become so commonplace that revelations of mis-selling hardly come as a surprise. Yet the Securities and Investments Board's latest findings, reported in the Financial Times today, point to such extensive mis-selling in personal pensions that the picture is becoming increasingly disturbing. Failures of compliance appear to have taken place in a significant proportion of the sales of nearly 500,000 personal pension plans to former members of occupational pension schemes. These failures, which involve a number of self-regulatory organisations including the SIB itself, go back as far as 1988. A sampling exercise has established that countless transactions were completed on the basis of inadequate disclosure of the "catches" existing pension arrangements and financial affairs. The watchdogs apparently did nothing to monitor those in the system whose selling techniques were known to be in most urgent need of monitoring.

None of this need imply that personal pensions were inappropriate for each and every one of the customers in question. There will be many, especially among the young for whom the flexibility of a personal pension plan is appealing, who may remain happy when their circumstances have been investigated. But it is already clear that many older people have been persuaded to leave good schemes with full index-linking of deferred pensions. Here the benefits are most unlikely to be

matched by a personal pension. Redundant mineworkers, in particular, have been shamelessly gulled by salesmen from some of the best-known names in insurance and banking. It is not putting it too strongly to say that this is scandalous. And to its credit the SIB is recognising as much in its response, which will aim to provide appropriate financial remedies, in co-operation with the insurance industry, over the next two years. Co-operation will almost certainly be forthcoming, since the damage to the industry's already tarnished reputation is potentially so great that urgent efforts at restitution are in the insurers' own interest. But the task of investigation and finding appropriate means of restitution will not be easy.

Nor will the damage to the regulatory structure be easy to repair. Insurance has always been the Achilles' heel of the 1986 Financial Services Act regime. Since the arrival of Mr Andrew Large at its head, the SIB has sought more vigorously to address this weakness. Yet the latest revelations indicate that an entirely new approach is needed to raise the standards of salesmanship that now prevail in dealing with complex products such as pensions. Education and training will have to be transformed if confidence is to be re-established. In promoting personal pensions with such enthusiasm before the regulatory regime had been tried and tested, the government has shown itself to be pretty much on a par with the insurance salesmen.

Pass the sake

The worst fears of Tokyo's salarymen are coming true. Japan's recession is not turning out to be the short-lived blip that the bureaucrats said it would be. To its credit, Japan's fractious coalition government is still trying to revive the economy. But a sagging stock market, troubled banks and increasingly uncompetitive exporters all suggest that a long and painful period of retrenchment lies ahead.

The latest, if rather belated, evidence that the squeeze has a long way to run comes from the Organisation for Economic Co-operation and Development. Over the last two years, it has publicly supported the Japanese government line that recovery was just around the corner — last June it forecast growth of 1 per cent this year rising to 2.5 per cent next year. But the truth has slowly sunk in. In its latest report on Japan, published yesterday, the OECD has revised these forecasts to zero growth this year and 1.4 per cent next. But even these numbers are out of date. The OECD secretariat now says it expects output to contract this year and grow by less than 1 per cent next.

Have Japan's growth prospects been deteriorating that fast? No. The OECD has been catching up with reality. It is true that Japanese industrial output fell by 5.2 per cent in October compared with the same month last year. But output also fell by more than 4 per cent in each of the first three quarters of this year.

The reasons for this accelerating

fall in output are well documented in the report. Medium- and small-sized companies are hampered by a credit squeeze imposed by indebted banks, while the sharp appreciation of the yen has cut competitiveness. In 1990, US hourly wages were 109 per cent of Japan's. Now they are just 76 per cent.

The report also provides the government with the economic case it needs to justify next week's further fiscal package. Up to now, the OECD has been backing the Japanese bureaucracy in a sterile dispute with the US government over the appropriate measure of Japan's fiscal stance. But, as this report shows, even on the widest definition of the public sector, Japan has a much lower ratio of net debt to gross domestic product than the OECD average.

In short, the government can safely cut income tax to stimulate consumer demand, especially if the cut is balanced by a consumption tax rise far enough into the future to avoid damaging recovery. Moreover, the scope for tax reform and deregulation to free barriers to higher consumption and speed the growth of the service sector is substantial.

Yet it looks increasingly doubtful whether fiscal policy can do the trick alone. A further discount rate cut, to hold down the yen, a degree of monetisation of government debt and a temporary injection of Bank of Japan capital into the banking sector look more likely to speed what is set, in any case, to be a sluggish recovery.

Private finance

It is easy to be cynical about the government's initiative for attracting private finance for UK public sector projects. One year after the initiative was launched, there are still no new holes in the ground. Patience is running out among many of the construction companies which would like to build roads, railways, hospitals and schools and for the banks which would like to finance them.

Yet some progress has been made in clearing the ground for involving the private sector in providing public services. In the health service and on the railways the initiative has eased rules on leasing expensive equipment. NHS hospitals are now forming partnerships with the private sector to build patient hotels. The home secretary plans to use the private sector to build and manage six new prisons.

This week's budget has opened up new possibilities. The firm commitment to introduce tolling on motorways will eventually provide a stream of income to reward companies which build new roads. Since it will be years before electronic tolling can be introduced, the government has sensibly reversed its opposition to shadow tolling. Thus investors in the Department of Transport according to the number of vehicles using it.

The chancellor also committed the government to three larger projects, including the modernisation of the west coast railway line between London and Glasgow. This should reassure companies

which have become frustrated with "no win competitions", where expensive tenders are submitted for projects that are subsequently withdrawn. Mr Clarke has shown himself commendably willing to sweep away Treasury orthodoxy on private finance, especially in endorsing shadow tolling.

Yet most projects so far agreed have been either free-standing private investments, such as the Dartford bridge over the Thames, or almost entirely financed by the public sector, such as the Jubilee line underground extension. The test will come with joint partnerships involving investment by both the private and public sector.

The Treasury still appears to have an unrealistic view of the level of risk which the private sector will accept in such partnerships. With the channel tunnel rail link, investors are being invited in before the legislative and planning process is complete — against the advice of most experienced advisers. The Treasury may also find it hard to stomach the returns that private investors expect to make — especially if earned on the back of a sizeable investment of taxpayers' money.

Striving to find solutions acceptable to both sides is, however, well worthwhile. Contracting out services such as refuse removal and computer management has already produced better value for money in central and local government. The private finance initiative promises to extend similar benefits throughout the public services.

The billboard featured a tough-looking squad of soldiers and purported to be announcing plans for privatising the British army. What it was actually advertising was a well-known lager. It must have seemed a good joke at the time. If there was one thing that could never be privatised, it was the army. But that was five years ago.

Since that spoof advertisement appeared, bits of armed forces activity have been transferred to the private sector. Go to an army base in mainland Britain, and you will no longer find mess meals being cooked, served and cleared up by the Army Catering Corps, but by civilians. Join the RAF or navy as a novice pilot and you will be initiated in flying by a civilian instructor on an aircraft owned and operated by a private-sector company.

More is to come. Many military vehicles and other equipment will not in future belong to the forces but be leased from contractors. Forces' married quarters will be hired off on a long lease to a private-sector housing trust. Training, transport, distribution, spares and storage may increasingly be looked after by private companies. Already radically shaken up under the government's 1990 Options for Change defence reforms, the forces' support branches are set to be shaken up again in the quest for economies.

Defence planners are searching for ways to absorb a fresh and unwelcome series of spending cuts without damaging the forces' fighting strength.

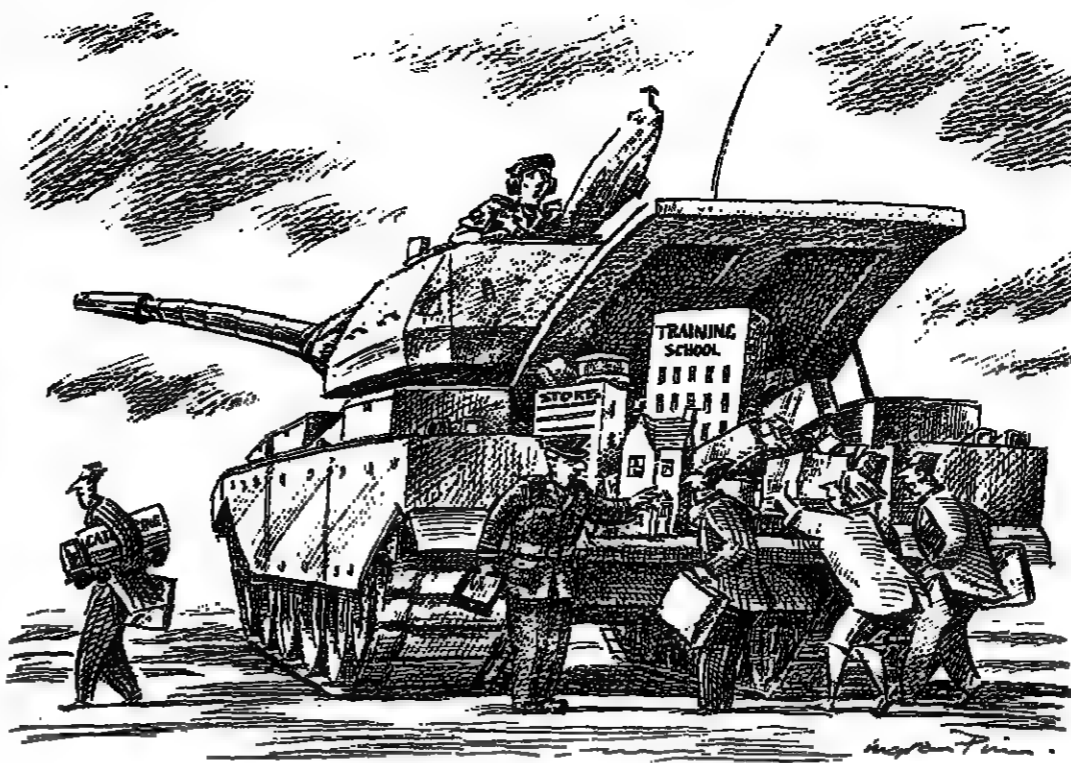
The forces have not yet got over Options for Change. For instance, 60 per cent of armoured regiments have either just amalgamated or are now doing so. But pressure on the £23.5bn annual defence budget has kept increasing. Defence spending is now 16 per cent lower in real terms than in the mid-1980s. A further 12 per cent reduction in real terms is planned by 1996-97.

The biggest cut comes at the end of the three-year budget cycle. The £22.7bn now planned for 1996-97 is reckoned to be £1bn less than the MoD had been counting on in its own confidential plans. This seriously alters the assumptions military planners must use for subsequent years. MoD officials who have spent three months drawing up long-term costings for the next 15 years must now redo their sums.

Mr Malcolm Rifkind, defence secretary, argued long and hard with the Treasury over this delayed-arrival spending cut, while Tory backbenchers dug themselves in to resist further cuts in frontline combat units. Rising bitterness in the forces, already reduced in numbers from 330,000 in the late 1980s to 270,000 and on course to shrink to about

Fewer good men in the line of fire

Defence cuts have stopped just short of reducing the range of the UK's capabilities, writes David White



330,000 in the late 1980s, broke into the open last month when Air Chief Marshal Sir Michael Graydon, chief of the air staff, sounded off about a "disreputable campaign" being waged against the services.

He and the other service chiefs twice made use of their prerogative to see the prime minister directly, in late September and again in October. Senior officers described it as the most difficult public expenditure round they could remember.

The MoD had carefully laid its defence, its annual white paper in July listed 40 tasks the forces were being asked to fulfil in defence of the UK and its dependencies, in NATO or in support of wider British interests such as peacekeeping. Numbers of battalions, ships and air squadrons were neatly assigned to each military role. In many cases military units were earmarked for two or more roles at once. Almost all the overseas tasks could be done by drawing on the forces provided

for UK and Nato defence.

The exercise was meant to challenge the Treasury. The implicit message was that, if big savings were wanted, it would mean scaling down or abandoning one or more commitments. Which — apart from peripheral commitments such as Belize, where the British garrison is being withdrawn — would the government be prepared to drop?

But Mr Rifkind's cabinet colleagues declined the challenge. According to a MoD planner, defence policy is not at issue. The question is whether it has to cost so much. "It is clear," he says, "that the centre of government does not believe in the efficiency of the MoD as an organisation."

The result will be what senior officers describe as "another massive trimming exercise" — an attempt to do the same job on reduced means. But if funds continue to be squeezed year by year, as seems likely, Britain's broad-

-ranging defence effort risks becoming increasingly difficult to sustain.

The defence cuts so far have not reduced the range of military capabilities. One exception is the RAF's sub-strategic nuclear capability, which it is due to lose once its current bombs become obsolete. A new missile programme was formally abandoned last month, saving £1.8bn from the MoD's long-term budget provisions. Instead, Trident submarines, carrying limited numbers of warheads, will be the UK's all-purpose nuclear deterrent.

But the array of conventional capabilities, from armoured warfare to strategic reconnaissance, is untouched. Choosing between them would inevitably stir controversy since it would mean favouring one service over another.

To avoid the kind of political storm that blew up over the future of infantry battalions, the MoD aims to avoid any further loss of combat units. But there will be

more base reductions and closures, and numerous equipment programmes are likely to be curtailed, delayed or downgraded.

A number of important procurement decisions have been held up by this year's budget arguments. Some — the purchase of more Challenger 2 tanks, minehunters and RAF support helicopters — have now got the go-ahead. But others, including new Sea Harrier jets, an overdue production order for torpedoes and bidding for the first of two new assault ships, are still pending.

Back-up support for the services will now undergo close scrutiny in order to concentrate manpower and effort on the front line. Mr Rifkind has said the changes will have to be radical to achieve adequate savings. This is likely to mean transferring some activities outside the services and merging others on a joint-service basis. Munitions maintenance, for instance, is being rationalised, with the navy taking the main responsibility for sophisticated weapons and the army for basic ammunition. But in other areas the three services stand apart. Each has its doctors, dentists, educators and lawyers. "The only thing we've managed to amalgamate in 10 years," says a senior officer at MoD headquarters, "is dog training."

But other officers believe the real opportunities are limited, since the services are distinct and usually at some distance from each other. "Joint training in everything would be irrelevant and probably a waste of time," says one.

In any event, few of these measures promise to bring short-term savings. The temptation will be to cut training activity and "consumables" such as fuel and ammunition. This goes down badly with service chiefs. It may cost an extra £500,000 to send a large unit to train overseas, say officers. But if British forces are to play a worldwide role, such training is "absolutely vital".

Some symbols of that reputation are already showing the signs of hard times. There are fewer hands and smaller guards of honour for state visits. Foot guards lining the streets on ceremonial occasions now stand nine feet apart instead of six. "We're having to spread people a bit more thinly," says the army.

Among the victims of the latest cuts will almost certainly be the 40-year-old Royal Yacht Britannia. Paid for out of the defence budget, it will have to go — unless the Queen finds the means to defray its £12.5m annual costs, or industry takes it over to promote Britain's image overseas. We may not have the Carling British Army, but could we be soon be cheering the Whitebread Royal Yacht?

Down to earth, not distant visions



PERSONAL VIEW

Deep divisions over the future of Europe were revealed during the ratification process of the Maastricht treaty — not only in Denmark and the UK but also in France and Germany. In order to heal these divisions, the member states of the European Union are turning to a new pragmatic agenda that promises tangible benefits rather than distant visions — one that focuses on implementation rather than on new initiatives.

In the short run the agenda is already crowded. First and foremost, there is the need to complete successfully by mid-December the General Agreement on Tariffs and Trade negotiations — without which there will be an immediate crisis in the Union. Second, membership negotiations with the European Free Trade Association applicants — Austria, Finland, Norway and Sweden — should be concluded in spring next year. This is necessary to show that the

Union is not an exclusive club dividing rather than uniting Europe.

Third, there is the re-casting of the economic agenda to focus on the micro-economic changes needed to improve Europe's economic performance relative to the rest of the world. This does not depend on Community transfers and new regulatory initiatives, but on getting rid of state aids, enforcing competition within the single market and opening up those sectors where state monopolies have led sheltered lives.

Fourth, in respect of macro-economic policy, this means discarding the artificial deadlines for monetary union and emphasising instead the convergence objectives of reducing budget deficits so that less burden is placed on interest rates.

Fifth, there is a redefinition of the concept of "social Europe" away from its equation with new regulatory burdens on business or new financial burdens on governments towards comparisons of "best practice" in meeting social objectives and towards harnessing private finance.

Sixth, the two "pillars" of the

Maastricht treaty (foreign security policy and home affairs) must be shown to work despite the tarnishing effect of events in former Yugoslavia.

Last, but not least, the Nato summit in January should see progress in reformulating the purposes of the Atlantic alliance and extension of security links eastwards.

This new pragmatism will be well-

comed by many, not least by the business community. Business would like to see the commission and other bodies focus on their administrative and managerial tasks rather than the endless invention of new legislative initiatives or visions for which there is no clear path to attainment.

At the same time, this healthy turn towards pragmatism has to be guided by an informed view of the longer term development of the European Union. The question of the kind of European Union we wish to see develop will not go away. There will be renewed debate next year during elections for the European parliament and in 1996 when the next intergovernmental conference will be held.

Meanwhile, proposals for the next round of discussions on the future shape of the European Union are being forwarded by a group of independent academics and think tanks from across Europe, known as the Constitutional Group. Their report avoids terms which merely add to confusion, such as "federal" or "confederal", "integrationist" or "intergovernmental". Equally, it avoids simplistic and often self-interested assertions that development of the Union simply involves giving more powers to central bodies such as the commission or the European parliament.

Instead, the report addresses the basic questions Europe faces. How do we structure a union that will embrace all democratic countries in Europe and promote the interests of

both the smaller and larger member states? How do we redefine the role of the nation state and its institutions within the Union? How do we entrench rule-based procedures rather than discretionary powers in the Union? What are the fundamental values we should try to enshrine in the development of political union?

No one should pretend there are easy answers. But if there was one lesson from Maastricht it was the dangers of governments getting out of step with their electorates. Closer union is in the interests of all. But it cannot be imposed. It must rest on consent. Whether there will be consent to further union may depend on whether governments can first demonstrate tangible benefits of union from the successful pursuit of their new pragmatic agenda.

Frank Vibert

The author is director of the European Policy Forum and a member of the European Constitutional Group

Oiled wheels of state

■ Britain's royal family can sleep soundly again; the financial headache of how to pay for the restoration of the fire-ravaged Windsor Castle could soon be over, thanks to piles of the black stuff.

No, not coal — oil. According to an article in the Oil and Gas Journal, the US oil industry's bible, Her Majesty could be sitting on top of one of Britain's biggest offshore oilfields.

Desmond Oswald, boss of the little-known Canak Exploration, has been poking around underneath the castle for the past four years. He believes that as many as 100m barrels of oil may be trapped in a reservoir which begins only 1,000 feet below the castle. Little is known about Canak, based in Gerrards Cross, but other oil industry sources say the idea is not as bonny as it sounds.

Oswald expresses surprise that "such a large structure should have remained undrilled in a country where extensive exploration has taken place". Having done his homework, he is now seeking a competent operator to contribute financially to the drilling of an exploratory well.

Of course, the royals may not be amused at the thought of nodding donkeys taking their place alongside the Household Cavalry. But times have changed. Prince

Edward has set himself up in the film business and his mum opened Buckingham Palace to paying gogglers for a few weeks this summer. The possibility of a gusher under Windsor Castle should not be ignored just because it might keep the occupants awake at night.

Fee fi fo fum

■ On Wednesday night one of the more prestigious head-hunting firms, Heidrick and Struggles, gave a slap-up do at the Royal College of Art, to which all its esteemed clients were invited.

Mingling among the champagne-quaffers, Observer was amused to hear one senior chief executive delicately talk business — and make a job offer to a fellow guest. "But don't tell this lot," said the officer, "or they'll be after their fee."

A little hard on said head-hunters — who may well consider charging at the door next year.

King holds on

■ Good news from the Bank of England. Its chief economist, Mervyn King, has decided to stay on rather than return to academia when his three-year leave of absence from the London School of Economics ends.

Not only is King, 45, one of Britain's best regarded economists, but he is also a keen advocate of

OBSERVER



greater openness in UK policymaking. He wants to see greater independence for the Bank in setting interest rates, mainly because this would make officials more accountable to the public for their various policy mistakes. He's generally thought to have made more of a go of the job than John Fleming, his predecessor, who is now warden of Wadham College, Oxford.

There had been rumours that King's enthusiasm for life at the Bank had been tempered by the arrival of ex-Economist editor Rupert Pennant-Rea as deputy governor. However, King's decision to stay on as an executive director suggests that any tensions between

the two have been resolved. Having lost Andrew Crockett to the Bank for International Settlements, Threadneedle Street could ill afford to lose another high-flyer in the space of a few months.

Driving seat

■ Remember Kevin Morley, Rover's marketing supremo who transformed himself into an advertising agency last year? He seems to have made a scintillating success of his first year — at least in terms of his salary.

In the first 18 months of the Kevin Morley Group Ltd, he paid himself a salary of £481,583, including a performance-related bonus of £204,316, according to accounts filed at Companies House.

That works out at £321,062 annually, a smile more than that taken by Maurice Saatchi, chairman of advertising mammoth Saatchi and Saatchi. Mind you, Morley has some way to go before he reaches the level of Martin Sorrell, chief executive of WPP. He got £510,000 in 1992.

Decline and fall

■ Last week's sudden announcement that Paris's Grand Palais — the vast, Crystal Palace-type building near the Champs Elysees used for block-buster art shows — is closing

for FF230m of emergency repairs, is somewhat embarrassing.

Among the 20 exhibitions planned for 1994 were January's highly successful SIME salon of museums; March's Salon du Dessin drawings fair; and September's glamorous expensive Biennale des Antiquaires antiques show.

Even more distressing than this blow to exhibitors and sponsors is the consequent buffeting of French pride. After all, the Palais was conceived as a monument to the brilliance of modern French engineering in the 1900 Universal Exhibition.

France's culture minister, Jacques Toubon, now admits that the Grand Palais was a jerry-built affair; four different architects had a go and the roof was still leaking 70 years later.

The only bit of the building which has been ruled as structurally sound and will remain open throughout the enforced closure is the police station, responsible for guarding President Mitterrand in the nearby Elysee Palace.

My word

■ The OECD's Financial Market Trends dated October 1993 betrays that organisation's deepest fears concerning the Italian bond market. "In June, the Italian authorities introduced changes in the guidelines on lead management and secondary market trading of euro-liar securities."

China says Patten vote reform ruins Hong Kong negotiations

By Tony Walker in Beijing and Simon Holberton in Hong Kong

China said yesterday that the decision by Mr Chris Patten, Hong Kong's governor, to proceed unilaterally with electoral reforms had ruined prospects for negotiations.

Mr Patten told Hong Kong's Legislative Council that he could no longer wait for agreement after 17 rounds of talks in Beijing on his reform proposals and that he would put "less contentious" parts of his plans to Legco on December 15.

He said he had not broken off talks with Beijing. "We're prepared to go on talking and our team will never be the one that walks away from the negotiating table, never," he said. British officials said Beijing had not replied to a request for a round of talks on December 17 and 18.

Mr Lai Ping, China's top official on Hong Kong, told reporters in

Beijing that if Mr Patten tabled a reform bill, talks on the colony's future would be broken off.

He said: "If Britain puts its package to Legco, no matter if it is a complete package or a partial package, this will mean that Britain has unilaterally broken the talks."

This was the most specific warning yet from a senior Chinese official of the consequences of Mr Patten's going ahead with reforms aimed at broadening the franchise for elections due in 1994 and 1996.

Mr Qian Qichen, China's foreign minister, informed his British counterpart, Mr Douglas Hurd, this week that Beijing would end the discussions if Mr Patten proceeded with his reforms in defiance of Beijing's strong objections. China will resume sovereignty over Hong Kong in 1997.

Mr Patten said there could be no further delay because the gov-

ernment had to begin drawing up electoral rolls and defining constituency boundaries.

He insisted that he remained open to negotiations. "Any proposals we receive from the Chinese side we'd have to consider very carefully," he said.

The bill to be introduced on December 15 would reduce the voting age to 18 from 21, abolish government-appointed local councillors and introduce single-member legislative constituencies.

Mr Wu Jianmin, the Chinese foreign ministry spokesman, warned that the collapse of the talks might affect business relations. His remarks mirrored similar observations earlier in the year by Chinese leaders, including premier Li Peng.

"Economic relations are part of Sino-British relations," Mr Wu said. "They are affected because of the Hong Kong question."

China has previously retaliated

economically against countries that displease it. The most recent example was a freeze placed on business with France last year after the French announced they were selling advanced Mirage fighter-bombers to Taiwan.

China last month squashed Britain's G80 out of an underground railway deal in Guangzhou, the southern Chinese city. Beijing's intervention ensured that the main contract went to Siemens of Germany.

Since the 17th round of Sino-British talks ended in stalemate in Beijing on Saturday, each side has blamed the other. China has accused Britain of being responsible for the "failure", while British officials insist that China used the protracted talks in Beijing as a smokescreen for inaction.

China has denounced Mr Patten's proposed reforms and has threatened to disregard elections held under the Patten formula.

German coalition threatened by rise in internal divisions

By Judy Dempsey in Berlin and Quentin Peel in Bonn

Chancellor Helmut Kohl's coalition of Christian Democrats and Free Democrats in Germany is facing unprecedented internal strife, amid open speculation about its ability to survive to the next general election, less than 11 months away.

The fragile alliance won a brief respite yesterday when the CDU candidate for premier in the east German state of Saxony-Anhalt, Mr Christoph Berger, was narrowly elected to form a government, thanks to total disarray in FDP ranks.

Yet the speculation about active plotting within the FDP to bring down the coalition in Bonn as well as in Saxony-Anhalt, allegedly involving Mr Hans-Diet-

rich Genscher, the former foreign minister, forced his successor, Mr Klaus Kinkel, party leader, to issue a vigorous denial.

The CDU-FDP split in the eastern state has merely brought to a head tensions at national level. At the same time there is growing evidence of dissent within the CDU itself, and criticism of the chancellor's role, although no one can propose a realistic alternative to lead the party in the next election.

The most outspoken criticism has come from Mr Kurt Biedenkopf, the left-leaning CDU premier of Saxony, who warned yesterday that the opposition Social Democrats (SPD) were set to win next year's elections.

Yet the most serious evidence of party division, as far as the chancellor is concerned, has

emerged from unnamed senior members of the leadership in the columns of the conservative *Frankfurter Allgemeine* newspaper. Even his close allies are speculating on how to stop the dramatic decline in party fortunes and prevent a series of humiliating defeats in local and national elections.

In an extraordinary front page report yesterday, the newspaper quoted one "leading CDU politician" as comparing the situation to 1982, when the FDP under Mr Genscher abandoned its coalition with the SPD, and formed a new government with Mr Kohl and the CDU. "We are practically in the 1982 situation again," he said. "Then it was only a question of how the thing was going to fall apart, and who should get the blame."

EU urged to establish new constitutional framework

By David Marsh, European Editor, in London

Member states of the European Union should set up a two-member European parliament to improve democratic control of decision-making, according to an international report published today.

This is one of the recommendations for a fully fledged European constitution, put forward by a 13-member group of academics and researchers from seven European countries.

The report says the need for public debate on a European constitution had been underlined by difficulties in ratifying the Maa-

tricht treaty. In addition, the prospective enlargement of the Union in coming years required important structural changes in the way the EU made decisions.

The study group includes representatives from universities and research institutes in France, Germany, Italy, Spain, Switzerland, Sweden and the UK.

It says the legal basis of the EU had become "incomprehensible" as a result of two important amendments to the original Common Market treaty, made first with the Single European Act, and then with Maastricht.

Europe needs a constitutional framework to define where European governments should take on

collective powers, and where these powers should best be exercised at the local and national level, in line with the principle of subsidiarity, the report says.

The bilateral parliament advocated by the report would add to the directly elected European parliament a second chamber of 176 deputies, chosen by national parliaments. Its role would be to review the need for Europe-wide legislation and to check whether proposed laws met constitutional guidelines.

A *Proposal for a European Policy Constitution. Report by the European Constitutional Group*, 20 Queen Anne's Gate, London SW1H 9AA. Fax: +44 71 222 0554.

G7 support for Russia

Continued from Page 1

Paris in the week after elections to review progress in reforms and prepare further assistance. Included in the future aid is a \$20m fund to support privatisation companies with investment and advice, and the second \$1.5bn tranche of the International Monetary Fund's systemic transformation facility, delayed after reform veered off track.

Visits to Moscow immediately after the election by US vice-president Al Gore and in January by President Bill Clinton for a summit with President Boris Yeltsin.

The US official said "in spite of everything 1993 had been a good year for Russian economic reform: real wages went up three times in dollar terms, inflation has come down from 30 to 15 per cent a month, privatisation has meant one-third of the workforce works in the private sector."

US-EC farm deal nearer

Continued from Page 1

Agreement on Tariffs and Trade, had been kept fully informed on progress. Mr Sutherland is making a statement in Geneva today to a meeting of Gatt negotiators from all 116 countries involved.

Market-opening offers from other countries have been held back as the critically important US-EU package has been awaited. "It is essential for other nations like Japan, the Asians and in Latin America to come forward now with their best efforts," Mr Kantor said. "They must show the same commitment and flexibility that the US and the EU have demonstrated over the past two days." The US is particularly anxious for them to open their markets in financial services.

THE LEX COLUMN

Hanson's house sale

The alchemy which allowed Hanson to remain burdened with debt and yet receive interest income is waning. Lower interest receivable in yesterday's figures is the prelude to a nasty reversal next year, as the assumption of Quantum's debt and falling income on sterling deposits start to bite. Without action the interest bill will rise by around £275m. The need for disposals to pay down debt suddenly looks more urgent.

Floating house building interests in the UK and US makes good sense. Housebuilders generate little cash even on the upswing, since profits are generally ploughed back into land. The prospectus will tell whether Hanson has been reinvesting in this virtuous manner since it acquired Beazer Homes in 1991. The size of the land bank will determine the final price.

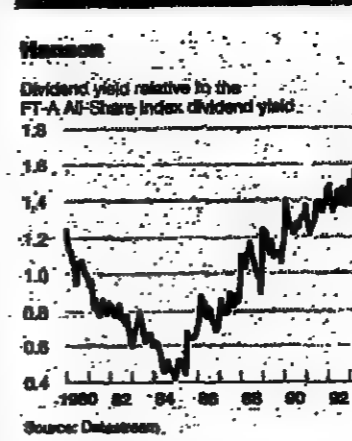
While stock markets are taking a rosy view of recovery, though, Hanson will raise more from flotation than trade sales, though the disposals should meet Hanson's £500m existing overall target.

How much more is required depends on the strength of recovery. Even if profits rise modestly from here, utilisation of provisions set up against Beazer and Peabody - and the £540m cash cost of the dividend - will leave little scope for debt reduction. That might explain the decision not to raise the pay-out yesterday. The 5 per cent fall in the shares is similar to the treatment meted out to BOC last month for taking the same decision. Hanson's status as a yield stock cuts both ways.

Royal Bank

One way of looking at Royal Bank of Scotland's 25 per cent dividend increase on cover of only 1.6 times is that the bank expects only modest loan growth. Without mortgage lending its UK advances would not have grown at all last year. So Royal may be anxious to avoid building up surplus capital. Its move could thus be a signal that other banks will raise their payouts to avoid excess profit retention as provisions come down. Royal's dividend, though, is also a striking gesture of confidence that another year of bumper profits lies ahead. It is not just Direct Line. Last year fee income, treasury revenues and profits from its US subsidiary Citizens all showed rapid growth, some of which at least should continue. Royal can thus rationally claim that diversification has reduced the volatility of its revenues while putting them on a fast

FT-SE (Index: 3223.9 (-9.3))



upward track. The question is whether this happy combination can last.

At Direct Line, which the previous management stumbled across and the new one has cannily locked into the group, prospects look good. Mortgage lending may be less lucrative as base rates fall and competition increases. At some point the market will doubtless perceive a limit to growth, but after yesterday's dividend increase the shares have probably further to rise on yield considerations alone.

Grand Metropolitan

GrandMet's tub-thumping defence of brands yesterday came as a startling flash-back to the 1980s. But not even GrandMet appears wholly convinced by its revivalist rhetoric. Its £175m restructuring charge to cut its cost base certainly shows a healthier regard for the real competitive forces shaping its markets. Much of that provision relates to its US food businesses, which face a fierce fight defending premium prices. The bigger concern, though, is over its European food arm, which is generating operating profits of just £15m on sales of £750m, and appears trapped in a strategic cold-war.

Doubts about GrandMet's diversification into foods cannot obscure the underlying strength of IDV. The loss of the Absolut vodka distribution contract will knock profits this year. But IDV's geographic spread and product mix should enable it to maintain robust progress, particularly in developing markets.

GrandMet's growth ambitions remain constrained by its £2.8m borrowings. The disposal of Chef &

Brewer and its strongly improving cash flow will help ease the strain. But with GrandMet's continuing woes at IEL and Pearle - and its embarrassingly expensive legal dispute with Brent Walker - still clouding the picture, it is hard to see how its 23 per cent underperformance against the market over the past year will quickly be reversed.

Racal Electronics

If the size of the write-off at Racal was what unnerved Racal shareholders yesterday, then a closer look might have reassured. Some £13.5m of the £20.2m provision was a write-back of acquisition goodwill which had previously been charged to the balance sheet. The Accounting Standards Board is clearly right to insist that companies should not buy, run and sell a business without recognising permanent losses of goodwill. Yet in this case, as many others, the write-off is of merely historical interest with little relevance to future prospects.

Equally, the 15 per cent fall in the share price may have reflected worries about trading prospects. Military radio is an increasingly competitive field in a shrinking defence market. The constant struggle to raise margins in the data communications business is a race to stand still, since even sophisticated technologies are rapidly becoming commodities. Managed networks is a growth area but the company is pitched against some tough telecoms competition. As ever, Racal's problem is to keep enough plates spinning to keep profits moving. Avoiding nasty surprises might please the market too.

Volvo

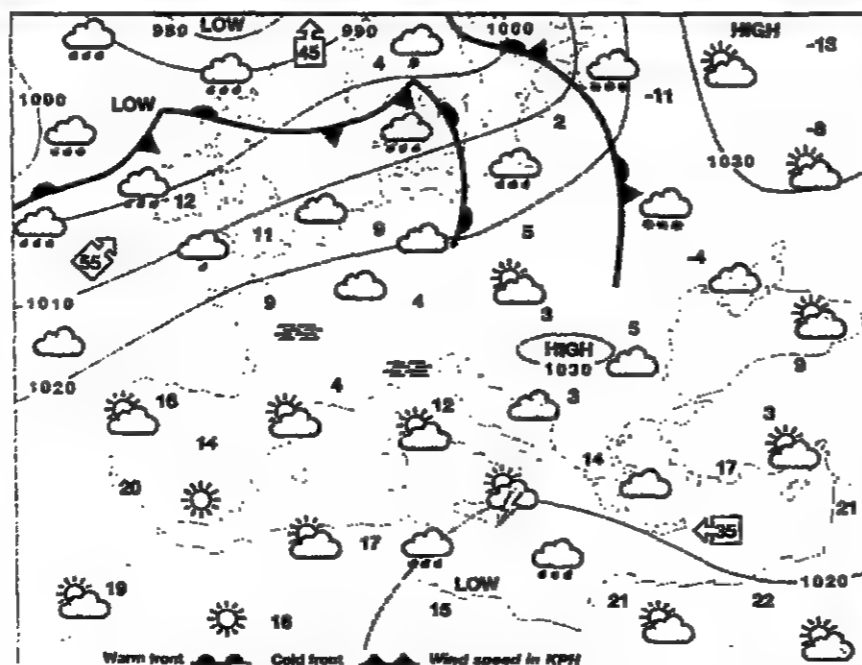
The theory behind the recent surge in Volvo's shares has been that opposition to the Renault merger reduced the immediate risk of earnings dilution. Combining a recovering Volvo with a recession-bound Renault was never particularly attractive in the short term. Now the opposition has won the day, the market must move on to assess the long-term strategic lacuna. With its limited model range and small home market, Volvo badly needs a partner. But even operational collaboration with a jilted Renault will not be easy. Alternatives may remain elusive while Renault still owns 10 per cent. If Volvo needs fresh capital, meanwhile, even its most chauvinistic shareholders should think carefully before stumping up any cash.

Europe today

Warm air will push further east, raising maximum temperatures above freezing over the whole of Europe. Only central and northern Scandinavia will still have daytime frost. In these regions, snow will fall. An active frontal zone will bring heavy rain to the British Isles, Denmark and Poland will also have rain. The Benelux and northern France will be cloudy, but in southern France the cloud will be broken. Southern and central Spain will have a lot of sunshine under an extending ridge of high pressure. A small, but active low pressure area over southern Italy will cause thunder showers to develop there and over Tunisia. South-eastern Europe will be mainly cloudy, but dry.

Five-day forecast

This weekend, rain will move over the Low Countries and France into central Europe. Next week, an extensive high pressure area will bring dry and sunny conditions to this region with widespread frost at night. Low pressure systems will make Scotland and western Scandinavia rainy and windy. Another series of low pressure areas will bring showers to the Mediterranean. The Balkans will have cloud and sunshine.



TODAY'S TEMPERATURES

Location	Max	Min
Abu Dhabi	25	15
Accra	31	21
Algiers	18	8
Amsterdam	11	6
Athens	15	10
B. Aires	20	10
B. Sum	11	6
Barcelona	17	12
Bombay	27	17

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteorological Service of the Netherlands

Location	Max	Min
Cardiff	10	5
Geneva	10	5
Glasgow	10	5
Hamburg	10	5
Helsinki	10	5
Hong Kong	26	16
London	10	5
Madrid	10	5
Moscow	10	5
Mumbai	26	16
Nairobi	26	16
Paris	10	5
Rangoon	26	16
Riyadh	26	16

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INSIDE

ING raises profit forecast

Internationale Nederlanden Group, the big Dutch financial services group, has raised its profit forecast for 1993. Page 16

Bank to cash in



A huge advertising campaign on staff, customers and potential investors reaches a peak on Saturday when the price of shares in Credito Italiano, Italy's seventh biggest bank, will be revealed. Page 16

Alcatel's rapid rise

The rapid rise of Alcatel-Alsthom to its position as one of France's most profitable companies has been based on its ability to forge industrial alliances and acquisitions. Page 17

End of troubles for bank

National Commercial Bank, Saudi Arabia's biggest and oldest bank, has published results for 1991 and 1992. They cap the end of a troubled few years. Page 18

Troubled goes for longer debt

Germany's Troubadour privatisation agency will shift its borrowing to longer-term instruments because of lower interest rates. Page 19

Sweden hits a rocky patch

A market registering a 50 per cent gain this year was always likely to hit a rocky patch, so there should be little surprise at what has happened in Sweden. Page 20

Freight falls at Brent Walker

Brent Walker, the troubled UK leisure group, is rapidly approaching a vital deadline in its efforts to sell or refinance William Hill, its betting shop business. Discussions are understood to have become fraught. Page 20

Racial books small loss

Shares in Racial Electronics fell sharply yesterday after the UK data communications, radio and network services group reported a small interim pre-tax loss. Page 20

European purchase for Scapa

Scapa Group, the UK industrial materials group which mainly supplies the paper industry, yesterday announced a European acquisition. Page 22

P&G in second Chinese deal

Procter & Gamble, the big US consumer products group, yesterday announced its second investment in Chinese container ports in 10 days. Page 23

Companies in this issue

Adia	18	Laeda Group	21
Alcatel-Alsthom	17	Linrad	21
Angerstein	23	MEPC	20
Anglian Group	23	Munks and Spencer	8
Australia Meat Holdings	18	Must-Play-Market	22
BTR	16	Metro Radio	22
Baring Emerging	22	Micro Focus	22
Bent Walker	20	Monks Investment	23
Bristol Products	21	Nat Commercial Bank	18
Butte Mining	23	Nanstar	18
CIBC	17	Nissan Iberica	18
Capital Gries	23	Northumbrian Water	23
Cashgate	23	P&G	23
Chrysler	17	Pearson	20
Compass	20	Procter & Gamble	15
ConAgra	18	Racial Electronics	20
Dresdner Bank	18	Renault	18
Electricity Corp NZ	18	Roche-Pauland	19
Enlightened Tobacco	22	Royal Bank Scotland	19
Fleming Far Eastern	20	Royal Doulton	20
Forti	20	Scapa	22
Gateway	8	Scottish Inv Trust	22
Grand Met	16	Servant Trent	21
Grasby	23	Shuwa	18
Hanson	21	Staples	21
Hays	22	Swiss Bank Corp	19
Haywood Williams	21	Tel Aviv	17
ICL	23	Tel Aviv	22
Inchcape	23	Tinsley Robor	22
Intertec	23	Un-Chem	22
Intertec	23	VP-Schickedanz	19
Knight-Ridder	18	Volvo	16
Kmart	17	Wrexham Water	22
LA Gear	23	Wrexham-Tyre Ties	22

Market Statistics

Base lending rates	32	London share service	29-27
Benchmark Govt bonds	18	Life equity options	36
FT-A indices	25	London trade options	36
FT-100 index	25	Managed fund services	29-28
FT-1000 index	25	Money markets	32
FT-10000 index	25	New 20 bond issues	19
FT-100000 index	25	World commodity prices	24
Foreign exchange	25	World stock mkt indices	33
London recent issues	25	UK dividends announced	20

Chief price changes yesterday

FRANKFURT (DM)		LONDON (Pence)	
Alcatel	381	Alcatel	381
Angerstein	17	Angerstein	17
Anglian	429	Anglian	429
Australia	18	Australia	18
BTR	16	BTR	16
Baring	22	Baring	22
Bent Walker	20	Bent Walker	20
Bristol	21	Bristol	21
Butte	23	Butte	23
CIBC	17	CIBC	17
Capital	23	Capital	23
Cashgate	23	Cashgate	23
Chrysler	17	Chrysler	17
Compass	20	Compass	20
ConAgra	18	ConAgra	18
Dresdner	18	Dresdner	18
Electricity	18	Electricity	18
Enlightened	22	Enlightened	22
Fleming	20	Fleming	20
Forti	20	Forti	20
Gateway	8	Gateway	8
Grand Met	16	Grand Met	16
Grasby	23	Grasby	23
Hanson	21	Hanson	21
Hays	22	Hays	22
Haywood	21	Haywood	21
ICL	23	ICL	23
Inchcape	23	Inchcape	23
Intertec	23	Intertec	23
Intertec	23	Intertec	23
Knight-Ridder	18	Knight-Ridder	18
Kmart	17	Kmart	17
LA Gear	23	LA Gear	23

NEW YORK (Dollars)

Alcatel	381	Alcatel	381
Angerstein	17	Angerstein	17
Anglian	429	Anglian	429
Australia	18	Australia	18
BTR	16	BTR	16
Baring	22	Baring	22
Bent Walker	20	Bent Walker	20
Bristol	21	Bristol	21
Butte	23	Butte	23
CIBC	17	CIBC	17
Capital	23	Capital	23
Cashgate	23	Cashgate	23
Chrysler	17	Chrysler	17
Compass	20	Compass	20
ConAgra	18	ConAgra	18
Dresdner	18	Dresdner	18
Electricity	18	Electricity	18
Enlightened	22	Enlightened	22
Fleming	20	Fleming	20
Forti	20	Forti	20
Gateway	8	Gateway	8
Grand Met	16	Grand Met	16
Grasby	23	Grasby	23
Hanson	21	Hanson	21
Hays	22	Hays	22
Haywood	21	Haywood	21
ICL	23	ICL	23
Inchcape	23	Inchcape	23
Intertec	23	Intertec	23
Intertec	23	Intertec	23
Knight-Ridder	18	Knight-Ridder	18
Kmart	17	Kmart	17
LA Gear	23	LA Gear	23

Shareholders were unhappy with Renault deal but offer few options, writes Hugh Carnegie

Back seat drivers put Volvo off road

The resignation last night of Mr Pehr Gyllenhammar, Volvo's dominant figure for more than two decades, was the culmination of one of the most extraordinary episodes in Swedish industrial history.

When Volvo announced its proposed merger with Renault in September, it was billed as Mr Gyllenhammar's crowning achievement, but instead it turned out to be the beginning of a process which ended in his humiliation.

In a battle with his shareholders, Mr Gyllenhammar saw a three-year alliance with Renault thrown into doubt and questions raised about the whole future strategy of Volvo.

Along the way, longstanding shareholder disquiet over his dictatorial management style spilled over into outright hostility over what was seen as his bungled negotiation of a deeply flawed agreement with Renault.

For shareholders, the core question of exactly how much Renault was paying to take over Volvo's vehicle manufacturing was never properly answered.

In spite of the publication of sheaves of information on the deal, the two groups never explained how they had calculated the 36 per cent share of the merged company that Volvo was to receive.

The lack of detailed valuations exacerbated strong Swedish doubts over placing Volvo's core assets into an unquoted company controlled by what was regarded as one of Europe's most interventionist states.

These worries were not dispelled by the repeated assurances of France's conservative government that it intended to privatise Renault next year.

Latterly, concern was also fuelled by growing reports from groups within Volvo - such as engineers - that co-operation between Renault and Volvo under the existing alliance had not gone as smoothly as senior management had suggested.

Pushed along by saturation media coverage, much of it hostile to the deal, these factors helped overturn a mood of the sober acceptance by politicians, labour unions, the business community and shareholders that had greeted the merger announcement in September. As the doubts piled up, the latent

'Volvo will be more successful than Renault'

emotional reluctance to seeing the greatest symbol of Swedish industrial prowess fall under foreign control came to the fore.

But the question Volvo's shareholders have not addressed is where the company goes if not to a merger with Renault. "What ever happens, it will be bad for Volvo," admitted Mr Stig Ramel, chief executive of the 92-94 Fund, a state investment fund which was in the "no" camp to the merger. "It is a question of finding the way out that is least damaging."

The central aspect of the merger proposal which Volvo always felt commanded widespread support was the "industrial logic" of the deal - the belief that Volvo needed to deepen the partnership already established with Renault if it was to survive in a world automotive industry

saddled by overcapacity.

Merger critics argued that the rapid return to profitability at Volvo this year - in contrast to sagging profits at Renault - showed that the company could stand alone. They pointed out that Volvo's truck division was much stronger than Renault's. Moreover, they said Renault, which already owns 10 per cent of Volvo, was unlikely to try to reverse out of the alliance which gives both companies large benefits, especially in cost savings.

"Over the next two years, Volvo will be more successful than Renault. Why should Renault therefore give up their big stake? Nor would they want to give up the SK300bn in savings the alliance will yield," said Mr Ramel.

Those who rejected the merger are apparently willing to contribute, via a share issue, to the SK300bn (\$344m) Volvo has said it will need in new capital if the merger falls. But Volvo has portrayed this as a dangerous short-term view.

Its argument is that in the longer term, Volvo's prospects of survival are fragile - an argument which the Swedish blue-collar trade unions accepted as the basis for their support for the merger.

"The future of Volvo cars is particularly bleak," said a Volvo adviser. Strong profits flow this year has been helped by a weak Swedish krona and low development costs, as new models have been recently launched. In the meantime, Volvo's narrow model range - it does not produce a small car - is a weakness.

Its market-leading safety record which powered Volvo's success in the 1980s has also been eroded by advances made by



Pehr Gyllenhammar: arranged marriage led to humiliation

other manufacturers. "Volvo needs a partner, now or later, and later there won't be such a good deal available," said the adviser.

Much will now depend on Renault's response to the crisis at Volvo. Within Volvo itself, meanwhile, it was clear last night that the Volvo board will be almost completely reshaped, with Mr Gyllenhammar's allies, including Mr Raymond Levy, the former

Renault chief, stepping down with him. Mr Stig Gyll, brought in as chief executive by Mr Gyllenhammar last year, is now set to exert full influence over Volvo.

He has retained shareholder support throughout the merger episode and will be the key figure in shaping Volvo's uncertain future. Lex, Page 14; Gyllenhammar, Page 18; World stock markets, Back Page

P&G moves into European tissue market

By Richard Tomkins in New York and David Waller in Frankfurt

Procter & Gamble, the big US consumer products group, is to take its first step into the \$50bn-a-year European market for toilet paper, kitchen towel and paper handkerchiefs with the acquisition of VP-Schickedanz, a leading German manufacturer of consumer hygiene products.

The purchase is being made from VPS's parent, the privately held Gustav und Grete Schickedanz Holding of Furt, Germany.

The purchase price is thought to be about DM1bn (\$580m), although neither side would confirm this. The VPS brands being acquired in the deal include Bona toilet paper, Tempo paper handkerchiefs, Camella feminine protection pads and Certina adult incontinence products. VPS's disposable diaper business is not included in the sale.

Schickedanz said yesterday that in the year to the end of January consolidated turnover at VPS was DM1.5bn and in spite of increased European competition the company had shown a "sound and solid financial performance".

Mr Edwin Artzt, Procter & Gamble's chairman and chief executive, said paper products were the group's biggest business after detergents, but this would be the company's first move into the tissue market outside North America. Procter & Gamble already sells

disposable diapers, feminine protection pads and adult incontinence products in Europe, and Mr Artzt said the purchase extended that presence into tissue products.

The VPS business is only a small part of the Schickedanz group, a family concern with annual sales of around DM1.5bn in activities including mail-order, retailing, beer and financial services. The recession has forced Schickedanz to focus on its "core businesses". The company was advised on the sale by Morgan Stanley.

Mr Artzt said the European market for tissues and towels was roughly equal to the diaper and feminine protection markets combined.

"The real opportunity, however, is the growth potential of a market with per capita tissue usage well below US levels," he said. "We should benefit from the growth that is sure to occur as this gap is closed."

not least because Rexnord was very cost competitive.

BTR said Rexnord's brand names were a good fit with the group's existing products and would expose it to a wider market. One of Rexnord's attractions was that 50 per cent of sales were spare.

This deal is the biggest announced by BTR since it paid \$1.55bn (\$2.3bn) in 1991 for Hawker Siddeley, the UK aerospace and engineering group. Mr Jackson said BTR was concentrating resources on industrial manufacturing. The policy has recently led it to invest in Chinese bottling plants and dispose of two wholesale distribution businesses in the UK and US.

The UK group will pay a total of \$420m in cash for Rexnord and assume borrowings of about \$400m.

Germany to issue long bond

By Corinna Middelmann and Antonia Sharpe in London

Germany responded to demands from the international investment community yesterday when it announced plans for the issue of government bonds with a maturity of more than 10 years for the first time in nearly eight years.

The Bundesbank, the German government's issuing agent, said that next Wednesday the government would sell a new tranche of its 6 per cent bond issue due 2018. The bonds were launched in May 1986.

A senior official at the finance ministry in Bonn said that if next week's auction was a success, the government would consider issuing more long-dated bonds, including a 30-year issue.

Traders expect the auction to raise DM30bn to DM40bn.

German banks have recently begun to push hard for a new 30-year bond to bring the German market into line with other leading bond markets.

Most German government bond issuance is concentrated in the five and 10-year areas of the yield curve, while government bond markets in the US, the UK, the Netherlands and France have liquid, long-dated sectors, with maturities as long as 30 years.

Italy has become the latest European sovereign borrower to issue 30-year bonds and Spain will make its first issue of 15-year bonds in the domestic market this month.

Two weeks ago, a DM2bn offering of 30-year Eurobonds by the Austrian government was

snapped up by international investors starved of long-dated bonds denominated in D-Marks and prompted a flood of long-dated D-Mark bond issues by several German federal states.

The German finance ministry said the government was keen to raise long-term financing at the current low level of interest rates.

Bankers said that it was in the German government's interest to satisfy the demands of international investors since their continued support was central to the government's success in funding its massive borrowing requirement.

Next year, net public sector borrowing is expected to total around DM230bn, marginally below this year's DM235bn (\$140bn).

Dresdner defends record profits

By David Waller in Frankfurt

Mr Jürgen Sarrazin, chief executive of Dresdner Bank, yesterday delivered a pungent defence of the German banking sector for making record profits amid the worst recession since the second world war.

Speaking as Dresdner, Germany's second biggest bank after Deutsche Bank, unveiled operating profits up by 16.2 per cent to DM1.5bn (\$944m) for the first 10 months of 1993, Mr Sarrazin contended that banks' profitability limited the damage of recession. "Now is the right time for banks to show their strength, as a frail financial sector would push the economy deeper into crisis."

Last week Commerzbank - Germany's third largest bank - reported 10-month profits up 52 per cent, and next week Deutsche Bank, Germany's biggest bank, is also likely to report a further acceleration of profits growth.

As at other banks, the impetus for Dresdner's profits growth came from securities trading: the contribution from the bank's own-account trading activities more than doubled to DM536.1m after DM254.5m in the comparable period last year (calculated as 10 twelfths of the total profit for last year as is usual for German banks).

Commission income grew 15.9 per cent to DM2.37bn, again reflecting buoyant currency, equity, fixed income and derivatives markets. Net interest income - the profit on mainstream lending business - climbed by a more modest 6.8 per cent to DM5.11bn.

Provisions for risks rose 23.6 per cent to DM1.35bn, reflecting the malaise among corporate clients.

As if to reinforce the image of prosperity, Mr Sarrazin disclosed that the stock market value of its 30 biggest equity holdings was more than DM15bn. Stocks include a 10 per cent holding in Allianz, the Munich-based insurance group. Dresdner also revealed that following the privatisation of Banque Nationale de Paris, the French bank with which Dresdner has forged a co-operation agreement, the two banks own stakes of 0.9 per cent in each other.

Mr Sarrazin said that the dividend would probably be increased by DM1 to DM13. The final decision would be taken on the basis of the full-year results. World Stock Markets, Back Page

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مكتبة القرآن

INTERNATIONAL COMPANIES AND FINANCE

Dutch financial services group raises forecast

By Ronald van de Krol
in Amsterdam

Internationale Nederlanden Group, the big Dutch financial services group, has raised its profit forecast for 1993 after reporting an 11 per cent increase in net profit for the first nine months of the year. The improvement was due mainly to continued profit growth in virtually all areas of banking, as well as to higher results in life insurance, particularly in the Netherlands and North America.

The rise also reflects ING's withdrawal from the volatile and loss-making field of general re-insurance.

Group net profit rose to F1.39bn (\$731m) in the first

nine months of 1993 from F1.25bn the year before.

ING, which had previously forecast that profits would at least match the 1992 figure, is now predicting a "moderate increase" in profits per share.

The group's banking operations turned in a 17.7 per cent rise in pre-tax profit, outstripping the 6.3 per cent increase reported by ING's insurance arm. ING, created out of the 1981 merger between the Netherlands' biggest insurance company and its third-largest bank, is the leading Dutch proponent of "bancassurance", the combining of insurance and banking services in one group.

ING's profits in banking rose virtually across the board, both

at home and abroad, where ING Bank is a specialist in emerging markets banking. ING Bank's relatively new offices in eastern Europe have already started contributing to group profits, the company said.

In insurance, premium growth was up substantially in all geographic areas when measured in local currencies. Premium income was further boosted by the acquisition of an Australian life insurance portfolio worth F163m in the third quarter.

Besides considerable increases in life insurance results in the Netherlands and North America, ING also saw satisfactory increases in Greece, Spain and Japan.

Hanson to float house building divisions

By Maggie Urry

Hanson, the industrial group, is to float its UK and US housebuilding divisions in an effort to reduce borrowing. The Anglo-US conglomerate could raise more than \$500m (\$338m) from the two sales.

The housing businesses came from Hanson's acquisition of Beazer in 1991. At the time, Beazer was planning a flotation of the housebuilding activities. Since then both the UK and US subsidiaries have been expanded through small acquisitions.

A flotation of all of Beazer Homes, the fourth largest housebuilder in the UK, should go through by the end of March, and could raise in excess of £400m. The business made an operating profit of £42m in Hanson's 1993 figures.

A float of 70 per cent of Beazer Homes USA, which made \$16m, and a simultaneous offer of \$125m of senior notes, should come earlier. A filing with the US Securities and Exchange Commission is likely next week.

Hanson made the announcement yesterday with its annual results, which showed a sharp fall in pre-tax profits from £1.25bn to £1.02bn in the year to September 30.

Gyllenhammar goes down with deal

Christopher Brown-Humes on the fall of Volvo's controversial chief

If Volvo stumbles, the tremors are felt elsewhere in Swedish society. Pehr Gyllenhammar once wrote. Yesterday Volvo did stumble and the tremors brought down with them the man who had led the group for the last 22 years.

Only three months ago it would have been impossible to credit. Then PG, as he is known in Sweden, looked set to crown a glittering and controversial career by assuming the figurehead role at the top of Renault-Volvo.

Since then a massive shareholder revolt, characterised by strong personal criticism of Mr Gyllenhammar himself, has changed everything, so it was not surprising that when the deal collapsed its principal architect should fall with it.

Along with Mr Percy Barnevik, the head of Asea Brown Boveri, Mr Gyllenhammar, 58, can claim to be Sweden's best known industrialist. But he was never content just to be a businessman.

As the head of Scandinavia's biggest industrial group and a passionate advocate of Swedish membership of the European Union, he relished a broader role as both a statesman and an ambassador for his country.

Sometimes it seemed that both Volvo and Sweden were too small for his restless energy.

This energy manifested itself in a number of ways. On the



Pehr Gyllenhammar (left) and Louis Schweitzer, the chairman of Renault: said to have left other board members in the dark

one hand, he always seemed to have some ambitious new deal on the go, despite the setbacks he not infrequently suffered with his plans. On the other hand, he never shied away from controversy and often seemed eager to question long-standing Swedish taboos.

He focused the national debate on Swedish membership of the European Union well before the country had even applied to join, and talked about the need for free market reforms before the country became serious about adopting them.

His success and his outspokenness provoked admiration and envy in equal degrees.

Procordia was rebuffed outright by the Swedish government and when two car plants which pioneered "humane" production techniques, were forced to close down.

For PG, the deal with Renault looked ideal, enabling him to fuse his pan-European ambitions with his role as Sweden's industrial statesman. A fluent French speaker who holds the Legion d'Honneur, it was obvious he would revel in the position of chairman of the supervisory board of the combined concern.

Again, his critics say this ambition blinded him to the deficiencies in the accord which shareholders have picked on so relentlessly in recent weeks. A suspicion that the deal was effectively put together by just Mr Gyllenhammar and Renault chairman Louis Schweitzer - with other Volvo board members remaining in the dark on some aspects of it - was never far from the surface.

This and Mr Gyllenhammar's cavalier attitude to shareholders help to explain why criticism at times centred as much on the Volvo chief's handling of the Renault agreement, as it did on details of the accord.

Many thought the great survivor might pull something out of the bag to save both the Renault deal and himself, even at the last minute. It was not to be.

Sharp decline at Grandmet

By Philip Rawstone

Grand Metropolitan, the UK drinks, food and retailing group, saw pre-tax profits fall 31 per cent to £630m (\$425m) in the year to September after £298m exceptional charges.

The rationalisation, which cleared the decks for Mr George Bull's accession as chief executive, includes restructuring charges of £175m largely for US food and retailing; provisions of £66m for money owed by Brent Walker on the acquisition of the William Hill betting shops, plus £20m to cover costs; and a

£50m write-down of Grand-

Met's UK property assets.

But for the exceptional charges, pre-tax profits would have been 6.6 per cent ahead at £916m.

Operating profits from continuing businesses rose 18.6 per cent to £368m on turnover up from £6.58bn to £7.64bn.

Profits of IDV, the drinks

division, rose 14 per cent to

£361m, and by 4 per cent excluding

effects of currency transla-

tion. Total sales of wines and

spirits exceeded 100m cases for

the first time.

North American food

operations maintained market

shares and lifted profits 29 per

cent to £212m. But European food profits, reflecting the effects of recession, fell from £22m to £15m.

Burger King's profits rose 29 per cent to £170m. Another 540 stores were opened, bringing the total to 7,121.

GrandMet's share of losses at Intreprenuer, the UK pub joint venture with Fosters Brewing, fell from £14m to \$3m, and the business is expected to break even this year. Each partner has had to inject £24.5m into the venture since September to ensure compliance with financial covenants. *Lex, Page 14*

Rhône-Poulenc rethinks merger

By John Riddling in Paris

Rhône-Poulenc, the French chemicals and pharmaceuticals group, could modify the terms of a proposed merger with Institut Mérieux, following the suspension of production of a blood product by the vaccines group, the company said.

Pasteur Mérieux Serums et Vaccins, a division of Institut Mérieux, said on Wednesday that it was suspending production of placenta albumin because of a decision by the French health authorities to

introduce extra precautions in collecting human placentas, which are used to produce placenta albumin.

Pasteur Mérieux will take a provision of about FF100m (\$18.9m) to cover the suspension. As a result, Rhône-Poulenc, which owns 51 per cent of Institut Mérieux, will see its net profits reduced by about FF70m this year. It is expected to report full-year net profits about 30 per cent lower than the FF1.52bn of 1992.

Rhône-Poulenc, which was successfully privatised by the

French government last month, said that a decision would be taken by the middle of the month about whether to alter the terms of an agreement to increase its stake in Institut Mérieux from 51 per cent to 100 per cent.

Under the terms of the agreement, which was announced at the beginning of October, it was to offer minority investors 77 group shares for every five shares in Institut Mérieux. At the end of August, Institut Mérieux had a market capitalisation of FF13.2bn.

Royal Bank of Scotland up to £265m for year

By John Gapper, Banking Editor

Royal Bank of Scotland yesterday reported pre-tax profits of £265.2m, up from £26.6m, for the year to September 30. The figures were helped by a 26 per cent fall in bad debt provisions, a recovery from losses in branch banking, and a sharp rise in income from foreign exchange and derivatives.

Its shares rose 8 per cent, completing a 21 per cent rise since the £50.2m pre-tax profits of its Direct Line insurance subsidiary were announced last week.

Capital increase to cut group net debt at Adia

By Ian Rodger in Zurich

Adia, the troubled temporary employment group, yesterday held out the prospect of breaking even next year after two years of losses.

Mr John Bowmer, chief executive, said the group's net debt had come down from SF1.5bn (\$1bn) at the end of 1991 to SF785m at September 30 1993 and would fall to SF563m after a SF300m capital increase approved at an EGM in Lausanne yesterday.

The capital increase, the second in less than a year, was announced last month when Adia revealed losses of SF112.2m for the first nine

months of the year, compared with a loss of SF219m for all of 1992.

The capital increases consist of SF100m in new shares to be issued to a consortium of banks which is converting its loans into equity and a SF100m rights issue which is being underwritten by Mr Klaus Jacobs, the chairman.

Following the increase, the group's equity would rise to SF734m. If shareholders take up their rights, Mr Jacobs will have a 51.04 per cent stake in the group. If not, his stake will rise to 57.5 per cent. Adia said it expected most shareholders would take up their rights.

Nissan to acquire rest of troubled Spanish offshoot

By Kevin Done, Motor Industry Correspondent

Nissan Motor, the Japanese carmaker, is to pay Ptas3.3bn (\$66.6m) to buy the outstanding 29.7 per cent minority shareholding in Nissan Motor Iberica, its Spanish subsidiary.

Nissan said Nissan Europe was offering Ptas260 per share for the 36.06m outstanding shares in NMISA. The shares last traded at Ptas147 before they were suspended on November 18 and traded at an average price of Ptas205 in the 30 days before the suspension.

The shares have plunged in the last four months from a high for the year of Ptas423 in

August, as the company's losses have deepened. The share price peaked at Ptas3,312 in September 1987. Nissan said the terms of the bid had been approved by the Spanish stock exchange commission.

Nissan Motor Iberica has run up heavy losses in the last two years, which are forcing Nissan to undertake a radical financial restructuring in order to comply with Spanish corporate solvency law.

Losses are expected to total around Ptas40bn (\$285m) in 1993, which will wipe out around two thirds of the company's share capital, reducing it from Ptas60bn to around Ptas20bn at the end of the year.

NEW ISSUE

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مكتبة الامم

Capital Cities' share buy-back offer shunned

By Martin Dickson
in New York

An offer by Capital Cities/ABC, the broadcasting and publishing company, to buy back 2m of its shares has been largely shunned by shareholders other than Berkshire Hathaway, the investment company headed by Mr Warren Buffett.

Capital Cities, which announced a "Dutch auction" tender offer for the shares on November 1, said yesterday that only 1.1m shares had been tendered, and 1m of these came from Berkshire Hathaway.

The low take-up suggests many investors expect the group's shares to be valued at more than \$60 a share, which was the upper purchase price limit set by Capital Cities in the Dutch auction. The stock stood unchanged at \$57.75 in early trading on the New York Stock Exchange.

Under a Dutch auction, a company sets a range of prices at which it is willing to buy stock and investors specify a

price at which they are willing to sell. The company then computes the lowest price at which it would be able to buy the block of stock and pays that sum to holders who offered to sell at or below that price.

Capital Cities noted that since fewer than 2m shares had been tendered, it would buy all shares tendered by Berkshire Hathaway at \$60 a share. The purchase will leave Berkshire with 2m shares, or about 15 per cent of the outstanding stock. Down from 18 per cent, Mr Buffett has a seat on the Capital Cities board.

An unusual feature of the tender was an agreement by Capital Cities that it would accept either all or none of the 1m Berkshire Hathaway shares tendered in the offer - a condition that could have left Mr Buffett with a 21 per cent stake in the business.

Capital Cities decided a buy-back was the most attractive use of \$1.2bn of surplus cash, since acquisitions were not available at attractive prices.

Kmart confirms sale of PayLess chain for \$1bn

By Richard Tomkins
in New York

Kmart, the second biggest US retailer, yesterday confirmed plans to sell its PayLess drug store chain to a company controlled by Leonard Green & Partners, a Los Angeles investment firm, for more than \$1bn.

The purchaser, TCH Corporation, will pay Kmart \$622m in cash and assume \$170m worth of debt. The remainder will take the form of 47 per cent of TCH's equity and \$100m worth of subordinated debt securities.

Kmart said it was putting a value on the TCH equity, but preliminary estimates suggested the transaction could result in a \$100m after-tax charge in the current financial year.

Kmart is selling the PayLess

chain in line with its strategy of shedding specialty retailing businesses to concentrate on its core discount store operations. Last month it announced that most of its 113 Pace warehouse clubs would be sold to Wal-Mart, and the rest of them closed.

The company has also indicated it was considering selling stakes in its Sports Authority sporting goods stores, Borders book stores, OfficeMax office supply stores and Builders Square home improvement stores through initial public offerings.

TCH Corporation owns two drug store operations: Thrifty Drug Stores, with 494 drug stores in California, and Bi-Mart Corporation, a membership discount drug and general merchandise chain with 41 stores based in Oregon.

Televisa wins Mexico TV network concession

By Damien Fraser
in Mexico City

Grupo Televisa, the Mexican media group, has been granted a concession to 63 television stations that will enable it to extend a television network across much of the country.

Televisa serves 90 per cent of Mexico's television audience, and takes a similar proportion of advertising. The new network will give the company a total of 291 television stations, about 51 per cent of the total in the country.

The concession has caused a controversy since the beginning of the year. Rivals complained that while the government was selling off two state-owned television networks in an open auction, Televisa was being given another national network without any competition.

The concession was granted to Radiotelevision de Mexico Norte, a subsidiary of Televisa, after it promised to pay the Mexican government \$91m.

The two state-owned television networks were sold for \$646m last July, to an investor group headed by Mr Ricardo Salinas of Grupo Elektra.

Critics say Televisa is being rewarded for its close co-operation with Mexico's ruling party.

Televisa was not available to comment on the transaction. The company is planning a secondary stock offering of about \$900m later this month, which will give it a full listing on the New York Stock Exchange.

The stations will enable Televisa to turn Channel 9, a local channel, into a network of covering much of Mexico.

The company has three other networks, with varying degrees of national penetration.

Televisa has 90 per cent of Mexico's television audience, and takes a similar proportion of advertising.

Alcatel still keen to gain a nuclear edge

Pierre Suard, the French group's chairman, talks to John Ridding and David Buchan

The rapid rise of Alcatel-Alsthom to its position as one of France's most profitable companies has been based on its ability to forge industrial alliances and acquisitions.

The merger of the telecommunications activities of Compagnie Generale d'Electricite and ITT of the US gave birth to Alcatel in 1987. Since then, milestones in the group's expansion have included a joint venture with GEC of the UK in transport and energy and the acquisition in 1990 of the telecommunications equipment operations of Fiat of Italy.

Now, Mr Pierre Suard, chairman of the group, has his eyes fixed on Framatome - the state-controlled French nuclear reactor group with interests in electrical components and computer services and annual sales of more than FF12bn (\$2,040bn).

He believes the centre-right government of Mr Edouard Balladur is preparing to give the green light to Alcatel-Alsthom's long-held ambitions to raise its 44 per cent stake in Framatome to a majority holding.

This is not the first approach from Alcatel-Alsthom. In 1990, the group briefly managed to raise its stake to 52 per cent, from 40 per cent, before the Socialist government of Mr Michel Rocard forced

it to reduce its shareholding.

For Mr Suard the logic is as clear now as it was then. "We are present in all areas of power generation except nuclear," he says.

To illustrate the possible advantages of a merger he points to the case of Daya Bay in China where GEC-Alsthom is building a conventional power station and Framatome is developing a nuclear facility.

According to Mr Suard, negotiations would have been simpler had the deal been struck with a single group. Framatome's electrical components and computer services operations would also fit well with Alcatel-Alsthom.

If Mr Suard's wish is granted, Alcatel-Alsthom should see its competitive edge further honed. It is already sharp. Confronted by the worst economic downturn in Europe since the second world war, the group has resisted well.

Net profits, says Mr Suard, are likely to be about the same this year as the FF7.1bn recorded in 1992. In the three preceding years, profits increased by about FF1bn annually.

This resistance is partly the result of the timing of the continent's economic cycles. "In 1991 and 1992 the Spanish market was very bad but the German market was strong," says



Pierre Suard: again his eyes fixed on Framatome

Mr Suard. The group's principal divisions - telecommunications, transport and energy, and electrical engineering - have also proved relatively secure.

But the outlook remains difficult. Mr Suard is not yet convinced by government claims that the French economy has stabilised and will start to recover from the end of the year.

"I don't see any signs of recovery which confirm the encouraging indicators of June and July, such as a pick-up in investment activity."

According to Mr Suard, the German market remains depressed, while government procurement in Italy has been

"paralysed" by the wave of scandals and corruption investigations.

The response from Alcatel-Alsthom has included a strong push in productivity. "We have always been careful to restructure as soon as it is necessary," says Mr Suard.

But this is not easy, particularly when the group is profitable. GEC-Alsthom, for example, has recently faced a series of demonstrations as French workers protest against planned job cuts.

In the face of depressed European markets and what Mr Suard perceives as damaging rigidities in the continent's labour markets, Alcatel-Alsthom has stepped up its efforts in non-European markets. In particular in east Asia.

In addition to the Daya Bay power stations, GEC-Alsthom has won orders for a \$2.4bn South Korean high speed train project and contracts across the region for engineering projects.

East Asia accounts for about 10 per cent of sales - a proportion which could be doubled within 10 years, according to Mr Suard.

If overseas markets have helped maintain profits, they also raise the stakes for Alcatel-Alsthom in the transatlantic wrangling over the Uruguay round of international trade talks.

Few companies are as Euro-

pean as Alcatel-Alsthom, which derives three quarters of its sales from the continent. It has its financial base in the Netherlands, its management base in Paris, and its biggest telecommunications market in Germany. Any threat to free-trade between Europe, the US and east Asia could, therefore, have damaging implications.

Mr Suard, however, is sanguine. "We tend to manufacture where we sell," he argues, discounting the impact of a failure of the trade talks.

In the US, for example, the group has about 12 per cent of the market for cables. Over the border in Mexico, however, the NAFTA accord is likely to mean higher tariffs for switching equipment imported from Belgium.

The Alcatel chairman says he is in favour of a successful conclusion of the Uruguay round, providing it is on acceptable terms.

This response reflects anxieties about the terms of the current debate. Chief among them are the lack of reciprocity in public procurement contracts - an important source of orders for Alcatel-Alsthom - and restrictions on foreign ownership of telecommunications companies in North America.

For a precocious company like Alcatel-Alsthom, such constraints are hard to bear.

CIBC stages strong earnings rebound

By Bernard Simon
in Toronto

Canadian Imperial Bank of Commerce staged a strong earnings rebound in fiscal 1993, thanks to a sharp drop in loan-loss provisions, and record retail and investment banking earnings.

But the bank, which was one of the biggest lenders to failed property developer Olympia & York, indicated it continued to have problems in its real-estate portfolio.

Earnings of Canada's second-highest financial institution totalled C\$780m (US\$547m), or C\$2.99 a share, in the year to October 31, against C\$12m, equal to a loss of 59 cents per common share, a year earlier.

Last year's losses were largely due to the bank's exposure to O&Y.

Return on equity for 1993 was 10.6 per cent, and return on assets 0.53 per cent, compared with 0.01 per cent.

Assets stood at C\$141.3bn on October 31, up from C\$132.2bn a year earlier.

Loan-loss provisions dipped to C\$920m from C\$1.94bn. Non-performing loans stood at C\$3.45bn on October 31, or 2.3 per cent of total loans, from C\$3.04bn, or 3 per cent, a year earlier.

Fourth-quarter earnings jumped to C\$191m, or 75 cents a share, from C\$45m, or nine cents a share.

The continued difficulties in

the real-estate market are reflected in the transfer of C\$100m in excess loan-loss reserves from country-risk provisions to a special provision set up last year for troubled property loans. The real-estate provision now stands at C\$260m.

Mr Al Flood, chairman, said: "While there is evidence that real estate values in North America have stabilised, we do not expect an early turnaround."

CIBC added that it expected only a "modest reduction" in overall loan losses in the coming year, reflecting the relatively slow economic recovery in North America, especially in real estate.

Chrysler lifts quarterly dividend by one third

By Richard Waters
in New York

Chrysler, the US car maker, boosted its quarterly dividend by a third in recognition of its return to profitability this year and recent upgrades from credit rating agencies.

The company's dividend, payable on January 15, is being raised to 30 cents a share from 18 cents a share. This is the first increase since Chrysler slashed the quarterly payment from 30 cents to 15 cents in the second quarter of 1991.

Mr Robert Eaton, chairman, warned, though, that the company remained intent on further reducing its pension fund

deficit and building cash reserves, suggesting a cautious approach to future dividend increases.

"We are pleased with our recent operating results and credit upgrades and wanted to share this success with our shareholders," said Mr Eaton.

Stronger cashflow enabled Chrysler to make contributions of \$2.5bn to its pension fund in the first nine months, helping to reduce the \$3.8bn deficit reported at the end of 1992.

Lower US interest rates mean that the fund's liabilities will be revised upwards at the end of this year, though Chrysler said the scale of the deficit will be below last year's level.

Interest Rates effective from 2nd December, 1993

DEPOSIT ACCOUNTS	gross interest rate p.a.	gross compounded annual rate
Three Month Reserve Account		
£50,000+	5.00%	5.09%
£15,000-£49,999	4.75%	4.84%
£10,000-£14,999	4.25%	4.32%
Reserve Account for Personal Customers		
£50,000+	3.75%	3.80%
£20,000-£49,999	3.25%	3.29%
£5,000-£19,999	2.75%	2.78%
Reserve Account for Businesses/Charities/Societies		
£100,000-£1 million	3.00%	3.03%
£25,000-£99,999	2.75%	2.78%
£10,000-£24,999	2.00%	2.01%
7 Day Notice Deposit Account	1%	1%
TESSA	5.00%	5.61%
Charity TESSA	5.00%	5.09%

We are able to place sterling and currency with the Money Markets. Rates are subject to daily variation. Further details may be obtained from your branch.

Where appropriate, Basic Rate Tax will be deducted from interest credited or paid (which may be reclaimed by resident non-taxpayers). Subject to the required registration form, interest will be paid gross.

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Facility remains at 21% p.a.
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Personal Loan Rate 22.3% APR
Classic Card Credit Facility

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Notice to Noteholders
U.S. \$75,000,000
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(the "Senior Notes")

Notice is hereby given that, in accordance with Condition 7(b) of the Senior Notes, The Venezuela Collateralised DCB Corporation I (the "Issuer") will redeem U.S. \$41.67 principal amount of each U.S. \$1,000 Original Principal Amount, of which U.S. \$166.85 is outstanding, of each Senior Note, plus accrued interest of U.S. \$1.82, on the Senior Notes Call Date falling on December 22, 1993. This amount is 4.1667% (1/24th) of the Original Principal Amount of each Senior Note and aggregates U.S. \$3,125,000 for all the Senior Notes. Payment of such principal amount, together with such accrued interest, will be made, in the case of Bearer Senior Notes, upon surrender of the relevant Tally (Tally No. 7) and otherwise as provided in the Conditions of the Senior Notes.

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By: The Chase Manhattan Bank, N.A.
Principal Paying Agent
December 3, 1993

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Share Capital Lit. 4,600,000,000,000 fully paid

1993 SEMI - ANNUAL REPORT

The STET 1993 Semi - Annual Report is deposited with the Registered Office in Turin - Via Bertola, 28 (039 11 55951) and the Head Office in Rome - Corso d'Italia, 41 (039 6 85891) and copy of it will be sent to anybody requesting it with the above mentioned Offices.

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Collateral floating rate notes due December 1998

The notes will bear interest at 6.25% per annum for the interest period 3 December 1993 to 3 June 1994. Interest payable on 3 June 1994 will amount to US\$157.99 per US\$5,000 note and US\$3,159.72 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

Mortgage Funding Corporation No.5 PLC
(Incorporated in England and Wales with limited liability under registered number 2079671)

Class A Multi-Class Mortgage Backed Floating Rate Notes due November 2035

Class A-1 £110,000,000 Class A-3 £17,500,000
Class A-2 £ 80,000,000 Mezzanine Notes £18,500,000

For the interest period 30th November, 1993 to 28th February, 1994 the Class A-1 Notes will bear interest at 5.5125% per annum. Interest payable on 28th February, 1994 will amount to £773.34 per £54,000,000 Note. The Class A-2 Notes will bear interest at 5.9875% per annum. Interest payable on 28th February, 1994 will amount to £1,476.37 per £100,000 Note. The Class A-3 Notes will bear interest at 6.1375% per annum. Interest payable on 28th February, 1994 will amount to £1,513.36 per £100,000 Note. The Mezzanine Notes will bear interest at 6.5375% per annum. Interest payable on 28th February, 1994 will amount to £1,611.00 per £100,000 Note.

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IBM
US\$30,000,000 Floating Rate Notes due December 1995
(Fully paid and Unconditionally Guaranteed by IBM)

All financial facilities provided under the terms of the International Facilities Agreement dated June 3, 1994, between IBM and the Issuer, dated June 3, 1994, and the relevant public notice on the relevant interest payment date June 3, 1994, against Coupon No. 2 in respect of US\$10,000,000 nominal of the Notes will be US\$3,222.20 and in respect of US\$100,000,000 nominal of the Notes will be US\$32,222.20 and in respect of US\$20,000,000 nominal of the Notes will be US\$6,444.44.

December 3, 1993, London
By: Citibank, N.A. (Incorporated in the USA)
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Treuhand is to shift borrowing to longer term

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COMPANY NEWS: UK

MEPC shares hit by fall in net asset value

By David Blackwell

MEPC, the UK's second largest property company which completed a £222m rights issue earlier this year, yesterday announced a fall of almost 15 per cent in pre-tax profits from £55.2m to £47.1m for the year to end-September.

The latest figure was struck after exceptional items of £13.2m, including a £10m provision on interest rate hedging, compared with £14.2m last time.

Earnings fell from 18.9p to 15.5p. Nevertheless, the group proposed a final dividend of 14.75p, giving an unchanged total for the year of 30p.

Net asset value per share fell from 445p to 416p. The shares closed 27p lower at 523p.

Lord Blakenham, chairman, said the net asset values did not reflect the scale of the upturn in the market since they were prepared in August. "We believe we have seen the turning point in the UK property market," he said, citing

much increased investor interest.

The company was in a far stronger position than a year ago, he said. After property sales of £225m, a £150m preferred share issue and the rights issue, gearing had fallen from 82 per cent to 48 per cent. The group had cash of £211m (£39m).

After an external valuation, the group's overall valuation write-down was 1.1 per cent, while the investment properties rose in value by 3.1 per cent. The group said "substantial write-downs" had been incurred at Alkan Gate in the City and at a Tunbridge Wells shopping centre.

Mr James Turkey, chief executive, said the group was very pleased with the progress made on void properties, which were down to less than 5 per cent compared with 8 per cent a year ago and 18 per cent two years ago.

Last month the group announced the proposed acquisition for £115m of American Property Trust, a unit trust

controlled by UK pension funds that owns two shopping malls in Los Angeles and Atlanta. Completion of the deal will lift the proportion of retail property in the MEPC portfolio from 27.5 per cent to 32.3 per cent, and reduce offices from 61.4 per cent to 57.3 per cent.

COMMENT

The City was taken aback by the sharp fall in net asset values, which ended well below the bottom of the expected 450p to 480p range. No figure was given for the write-down on Alkan Gate and Tunbridge Wells, but it appears to be on the way to £100m. While it is worth noting that the valuations were made last August, and the property market has shown signs of recovery since, this is still an embarrassing figure. The dividend, which remains uncovered, is the prop for the stock. Even if the recovery leads to a rise in net asset values to over 500p next time, the shares are still at a premium - and there is no prospect of dividend growth.



Francis Mackay (left) with Albert Roux: catering from schoolrooms to boardrooms

Compass moves onto a new heading

Compass, the catering group that already has links with Pizza Hut and Burger King, yesterday added the name of Roux to the menu, writes David Blackwell.

The group has paid about £900,000 for the 11 catering contracts managed by the Roux brothers. It will launch a special executive service to be known as Roux Fine Dining.

Mr Albert Roux described it as "a perfect marriage." The Roux business would benefit

from the experience, wide customer base and financial expertise of Compass. Both Albert and Michel Roux will be involved in the business.

Mr Francis Mackay, Compass chief executive, said the link would complete the jigsaw of businesses that would enable his group to cater from schools to boardroom level.

Last May Compass reported interim pre-tax profits up from £17m to £18.2m on sales ahead by 19 per cent at £209.4m.

Racal shares fall after provisions lead to £0.4m loss

By Paul Taylor

Shares in Racal Electronics fell sharply yesterday after the data communications, radio and network services group reported a small interim pre-tax loss, mainly reflecting £20.2m in provisions for disposal and closure costs on the Racal-Redac computer aided engineering business.

The shares closed 29p lower at 180p after the group announced a £388,000 pre-tax loss for the 28 weeks to October 8, compared with a £23.2m profit.

The results were the first to be reported under the new FRS 3 accounting rules.

Losses per share amounted to 0.07p compared with earnings of 3.95p. The interim dividend, however, is maintained at 1.5p.

Turnover from continuing operations slipped by 3.9 per cent to £428.7m (£446m) while discontinued operations added a further £1.28m (£2.77m).

Operating profits from continuing operations declined by 3.5 per cent to £23.1m (£23.3m) after charging £3.9m (£7.7m) in redundancy, severance and reorganisation costs.

Sir Ernest Harrison, chairman, said the operating results were adversely affected by lower turnover in the radio communications business resulting in a £4.5m reduction in profit. The decline in turnover reflected the continued worldwide recession, government defence spending cut-backs and increased competition.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Total for year	Total last year
Anglian Group	4.1	Feb 18	3.7	-	9.5
Castings	1.55	Jan 15	1.3	-	4.39
GrandMet	8.15	Apr 11	7.7	10	12.3
Hanson	2.65	Jan 4	2.55	11.4	5.5
Loxley Group	5.75	Jan 28	5	8	7.88
MEPC	14.75	Jan 28	14.75	20	20
Metro Radio	4	Jan 19	3.5	5.5	5
Racal Elect	1.5	Feb 11	1.5	11	4.55
Royal Bk of Scot	8	Feb 25	8	11	8.8
Sage	1.05	Feb 9	1.5	-	5.83
Seymour Trent	1.35	Apr 6	7	-	21.1

Dividends shown pence per share net except where otherwise stated. †On increased capital. ‡SUSM stock. *Adjusted for scrip issue. †Reflects move to quarterly payments.

See Lex

Brent Walker approaches vital Hill deadline amid acrimony

By Meggie Urry

Brent Walker is rapidly approaching a vital deadline in its efforts to sell or refinance William Hill, its betting shop business. A decision is required on Monday.

Discussions are understood to have become fraught, with accusations flying and banks complaining of strong-arm tactics.

Advisers believe that if the flotation course is to be pursued, a decision must be made early next week. This is so that a marketing campaign can begin in time to manage a successful float by the March 1 deadline for the repayment of William Hill's debt.

Lenders to William Hill are only concerned with getting their loans repaid on time. This can be achieved either through a flotation, a sale to a group of venture capitalists

which has put in an offer, or by the Brent Walker banks taking on the William Hill debt.

Standard Chartered and Lloyds Bank, lead banks to Brent Walker, appear determined to adopt the latter course, refinancing Hill's £330m of secured and £40m of unsecured debt, which is ring-fenced from Brent Walker.

They prefer that route since they believe that William Hill's true value could be higher than the expected £500m flotation proceeds. Furthermore, the Brent Walker refinancing completed last year was predicated on the retention of two cash generating businesses - the pubs chain and William Hill. Without William Hill, the prospects for Brent Walker's banks being repaid eventually would seem dimmer.

Standard Chartered and Lloyds could block a flotation, since the consent of the Brent

Walker banks is needed for a sale of William Hill.

But refinancing attempts have so far failed, with deadlines being missed and extended. Standard Chartered and Lloyds are said to have found takers for only £270m of the William Hill debt. Even large lenders to Brent Walker, such as Credit Suisse, are understood to be unwilling to participate in the refinancing.

That leaves the venture capital offer, which exceeds £450m. This could provide a way out for Brent Walker, as the offer could repay the William Hill debt and allow the company to retain an equity stake in the betting business.

However, bankers fear that if the flotation option fails and the refinancing fails, the value of the venture capital offer could recede, leaving little for Brent Walker after repaying the William Hill banks.

Forte to retain Harvester

By Michael Shipinker, Leisure Industries Correspondent

Forte has taken its Harvester restaurant chain off the market after failing to find a buyer prepared to pay the price it was asking.

Forte was hoping for a price of more than £120m for the 78 Harvester restaurants. It is believed that the highest price offered was £110m. Among the potential buyers believed to have expressed an interest in the chain were Whitbread and Allied-Lyons.

Forte said it would now invest in the chain. Sales are currently believed to be almost 10 per cent up on last year.

The group also said it had completed the sale of its 50 per cent stake in the UK chain of Kentucky Fried Chicken to PepsiCo for £40m cash.

Royal Doulton ends first day 14p up

By Peggy Hollinger

Shares in Royal Doulton, the fine china manufacturer demerged from media parent Pearson, ended the first day of trading 14p higher than the opening quoted price of 199p, valuing the company at £113.8m.

A group of three UK institutions is believed to have led the buying as media investors sought to shed the shares. The institutions are also thought to be existing Pearson investors.

A total of 23.9m shares were traded, the second largest volume after Hanson.

Pearson shareholders were offered one Royal Doulton share for every 10 held in the parent, which owns the Financial Times.

Pearson shares closed Wednesday at 814p. They opened at 894p, reflecting the demerger of Royal Doulton,

but gained 3p during the day to close at 897p.

Analysts said buyers of Royal Doulton shares were focusing on the longer-term.

The company has made it clear that the current year will be depressed by redundancy and restructuring costs. It reported a £2.1m loss for the six months to June 26 and a profit of £8.4m (£15.5m) for 1992. There were no comparable first-half figures for 1993.

The forecasts for next year range from £10m to £17m.

Fleming Far Eastern

Fleming Far Eastern Investment Trust reported net asset value of 381.5p (£19.7p) per share at September 30. Net revenue for the six months to the end of September was £2.2m (£1.54m) for earnings of 1.42p (0.88p) per share.

BUILDING ON STRENGTH

- Strong balance sheet
- Successful rights issue
- Net gearing reduced to 48%
- Dividend per share maintained at 20p (net)
- Worldwide vacancy levels under 5% of 1993 gross rents
- Expansion in US through conditional agreement to acquire US\$300m retail portfolio

SUMMARY OF GROUP RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 1993

	1993 £m	1992 £m
Gross rents and other charges	324.1	319.9
Revenue profit before taxation	94.2	109.4
Profit attributable to ordinary shareholders	52.6	62.6
Earnings per share before exceptional items	18.9p	23.5p*
Dividends per share - Net	20.0p	20.0p
- Gross Equivalent	25.8p	26.7p
Net asset value per share (diluted)	416p	445p*

*The comparative figures for EPS and NAV have been adjusted for the 1 for 5 rights issue in 1993 and re-presented to comply with Financial Reporting Standard 3.

MEPC

12 St James's Square, London SW1Y 4LB

This notice is important and requires the immediate attention of holders of Bearer Capital Bonds. If holders are in any doubt as to the action they should take, they should consult an independent financial adviser qualified under the Financial Services Act 1986 without delay. J. Henry Schroder Wagg & Co. Limited is acting for Hepworth PLC in relation to the Required Redemption Notice referred to and is not advising any other person or treating any other person as its customer in relation to such Required Redemption. The Trustee has given its consent to the issue of this Required Redemption Notice.

Hepworth Capital Finance Limited

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(the "Guarantor")
(Incorporated in England with limited liability under the Companies Act 1948-1987. Registered No. 955075)

Exchangeable Redeemable Preference Shares ("Preference Shares") in the Issuer, which are guaranteed on a subordinated basis by, and exchangeable for Ordinary Shares in, the Guarantor

REQUIRED REDEMPTION NOTICE

Notice is hereby given to all holders of Capital Bonds which are in bearer form ("Bearer Capital Bonds") that in accordance with Condition 8(a) and Condition 8(a)(ii) of the Capital Bonds, the Issuer has determined to redeem all of the Capital Bonds, such redemption to take place on Wednesday, 30 January 1994 (the "Required Redemption Date"). The purpose of issuing this Required Redemption Notice is to reduce the financing costs of the Guarantor.

On the Required Redemption Date:-
(1) Each unit of a Bearer Capital Bond will be redeemed at its issue price of 100p per unit (the "Issue Price") together with a premium of 1 per cent, whereupon an amount equal to the Issue Price shall be applied in paying up in full a Preference Share in the Issuer. Each Preference Share shall be allotted at a price equal to the Issue Price in accordance with the Articles of the Issuer, credited as fully paid.
(2) One Preference Share shall be allotted on redemption of each unit comprised in each Bearer Capital Bond, and each Preference Share so allotted shall forthwith be redeemed by the Issuer at a price of 100p per Preference Share in accordance with the rights attached thereto.

Redemption of Bearer Capital Bonds
There will become due and payable in respect of the redemption of each Bearer Capital Bond and the resulting Preference Share, on presentation and surrender of the relevant Bearer Capital Bond, an amount of £1,021.56 in respect of each Bearer Capital Bond in the denomination of £1,000 and of £1,021.52 in respect of each Bearer Capital Bond in the denomination of £1,000 (including interest accrued but unpaid from and including 31st December 1993 to but not including the Required Redemption Date), at the specified office of any of the Paying and Conversion Agents listed below. Amounts payable on redemption are in addition to interest received for the six months up to but not including 31st December 1993.
Each Bearer Capital Bond must be presented for redemption together with all unexercised Coupons appertaining thereto, failing which redemption shall be made only against the provision of such indemnity as the Issuer and the Guarantor may require. Bearer Capital Bonds not so redeemed will become void unless presented for payment within the period of 12 years from the Required Redemption Date and matured Coupons in respect thereof will become void unless presented within a period of 6 years from the Relevant Date for the payment thereof, in accordance with Condition 24 of the Capital Bonds. Unexercised Coupons will become void on the Required Redemption Date.

Redemption of Registered Capital Bonds
A Required Redemption Notice is being posted today to holders of Capital Bonds which are in registered form ("Registered Capital Bonds") shown on the Register as at 30th November 1993 in accordance with Condition 22 of the Capital Bonds, giving details of the process for redemption of Registered Capital Bonds.

Entitlement to exercise conversion rights
Holders of Bearer Capital Bonds are reminded that, notwithstanding the foregoing, they will remain entitled to exercise their rights to convert all, but not part, of the Bearer Capital Bonds held by them into Preference Shares which shall form part of the Ordinary Shares of 25p each in Hepworth PLC ("Ordinary Shares"), at the Exchange Price of 286p per Ordinary Share, at any time up to and including Wednesday, 29th December 1993 in accordance with the Conditions of the Capital Bonds. Such rights may be exercised by holders of Bearer Capital Bonds delivering to the specified office of any of the Paying and Conversion Agents listed below, during its usual business hours, the relevant Bearer Capital Bonds together with all unexercised Coupons appertaining thereto, accompanied by a duly completed and signed Conversion and Exchange Notice in the form obtainable from any such Paying and Conversion Agent.
Holders of Bearer Capital Bonds who present a Conversion and Exchange Notice on or prior to 29th December 1993 will not be eligible to receive interest in respect of the period from and including 30th June 1993, but will be eligible to receive the final dividend for the year ending 31st December 1993 in respect of the Ordinary Shares received on conversion.

IMPORTANT - for illustration only

Value of the Ordinary Shares into which each holding of Bearer Capital Bonds in the denomination of £1,000 is convertible
Redemption price (including accrued interest from 31st December 1993) per holding of Bearer Capital Bonds in the denomination of £1,000* £1,451.05
Bonds in the denomination of £1,000* £1,021.56

(1) Based on the closing mid-market quotation for the Ordinary Shares, as derived from The London Stock Exchange Daily Official List, for 1st December 1993 (being the latest practicable date before pricing) of 415p per Ordinary Share and no Exchange Price of 286p per Ordinary Share, ignoring dividends. Fractions of Ordinary Shares will not be issued on exchange and no cash adjustment will be made. However, subject to the Conditions of the Capital Bonds, where Ordinary Shares arising on exchange of the relevant Preference Shares are to be registered in the same name, the number of Ordinary Shares to be issued will be calculated on the basis of the aggregate Mid-Up Value of those Preference Shares.
(2) If the Bearer Capital Bonds are redeemed, interest will be payable in respect of the six months period up to but not including 31st December 1993. No adjustment has been made to include this interest. The Conditions of the Capital Bonds include provisions for the Trustee to exercise, at its absolute discretion, not to allow these six months and not later than six days prior to the Required Redemption Date, the Conversion and Exchange Rights in respect of each of the then outstanding Capital Bonds are due for redemption on the Required Redemption Date, if it is satisfied or is so advised that the net proceeds of an immediate sale of the Ordinary Shares arising from such exercise (disregarding any liability for the interest on the Bonds to be redeemed or the payment of any stamp, issue or registration duties consequent thereon) would be likely to exceed the aggregate of the interest otherwise payable on such Capital Bonds and the redemption monies otherwise payable on redemption of the Preference Shares arising as a result of the Required Redemption.

Principal Paying and Conversion Agent for Bearer Capital Bonds

The Chase Manhattan Bank, N.A.
Woolgate House
Coleman Street
London EC2P 2HD

Paying and Conversion Agents for Bearer Capital Bonds

Banque Bruxelles Lambert S.A.
24 Avenue de la Woluwe
B-1050 Brussels

Chase Manhattan Bank (Switzerland)
63 Rue du Rhône
CH-1204 Geneva

Chase Manhattan Bank Luxembourg S.A.
5 Rue Pictet
L-2336 Luxembourg Grand

Issued by J. Henry Schroder Wagg & Co. Limited, a member of SFA,
on behalf of Hepworth PLC.

3rd December 1993

Heywood shares leap after bullish forecast

By Tim Bart

Shares in Heywood Williams, the building materials group, rose sharply yesterday after it forecast a sixfold rise in pre-tax profits to £24m for the year to December 31, against £5.5m.

The bullish forecast was announced along with plans to buy Bristol Products, a US plumbing components manufacturer and distributor, for \$81.2m (£54.9m), including the repayment of borrowings.

The acquisition, complementing the group's purchase of US building group LaSalle-Deitch earlier this year, will be funded by a 1-for-4 rights issue to raise £50.6m.

Strong growth in existing businesses was forecast to push earnings per share ahead to 14.8p (1.7p).

The shares rose 43p to 387p following the announcement, before closing at 384p.

Mr Ralph Hinchliffe, Heywood's chairman, said Bristol would help the group develop its niche business in the US, where LaSalle distributes building products to the manufacturing and recreational vehicle industries.

Bristol was a rival bidder for LaSalle, and the Indiana-based company approached Heywood after it failed.



Ralph Hinchliffe (left) and Michael Broadhead, deputy group managing director: the buy complements that of LaSalle-Deitch

Bristol's management, which is forecasting profits of £12.5m in the year to November 30, will be kept in place.

COMMENT
Heywood Williams has seen a marked improvement in its share price since it sold most of its glass business to Pilkington earlier this year. Since then it has turned its back on the construction industry and concentrated on auto glass sales in the UK and the growing manufactured housing and recreation vehicle market in

the US. Future acquisitions are now likely in the UK, where it wants to keep at least 40 per cent of its business. If the rights issue is fully taken up, it will certainly be in a position to do so with cash balances of up to £10m and shareholders' funds of £120m. Following yesterday's announcement, brokers upgraded pre-tax profits forecasts for 1994 by £11m to £38m, putting the shares on a multiple ratio of 18. The positive sentiment and upgrading appears to make Heywood a good long-term buy.

Hanson shares tumble 15³/₄p

By Maggie Urry

Shares in Hanson tumbled 15³/₄p to 268³/₄p yesterday as investors took to heart the cautious tone of the statement - including a warning there could be £275m negative swing in interest costs in 1994 - and the lack of a dividend increase.

Mr Derek Bonham, chief executive, said the holding of the dividend had been a particularly difficult decision, and he thought it the first time in the group's 30 year history that it had not been increased when final results were announced.

He admitted being conscious that Hanson was a yield stock, but said with dividend cover at 1.3 times, the earnings outlook in the short term, and the Peabody coal strike still unresolved, Hanson had felt unable to increase the dividend.

However, he said the issue would be under constant review, and hoped that as trading turned up, and subject to the outlook for 1995, an increase might be forthcoming later in 1994. Hanson pays dividends quarterly.

He doubted whether the Foreign Income Dividend scheme, detailed in the Budget, would be beneficial to Hanson. "We must satisfy all our shareholders. FIDs are a massive turn-off for tax exempt investors."

Mr Bill Landuyt, finance director, said the corporation tax provisions in the Budget would have little effect on Hanson, and the group would "look for every legal way to reduce tax". The 11p increase in duty on 20 cigarettes would be harmful to volumes at Imperial Tobacco, while cuts in the road building programme would affect ARC.

Group turnover in the year to September 30 was £9.76bn (£9.8bn) and operating profits fell from £1.07bn to £978m, affected by the £125m cost of the US coal strike but a £87m benefit from exchange rate moves. Exceptional profits on disposals less closure costs, added £24m (£172m).

Lower rates cut net interest income from £46m to £14m, leaving pre-tax profits at £1.02bn (£1.29bn). The fall in UK interest rates, the lack of high yielding long-term deposits fixed in 1992 and higher borrowings due to acquisitions, could add £275m to interest charges in 1994.

Earnings, excluding exceptional items, were 14.1p (13.5p). A fall in operating profits from industrial activities to £291m (£303m) was not quite offset by a rise from £290m to £443m in consumer products and from £257m to £301m in building products.

Severn Trent held back by decline in demand

By Peggy Hollinger

Severn Trent, the privatised water utility, yesterday announced interim pre-tax profits of £146.9m, held back by a decline in demand from commercial and industrial customers and higher interest charges.

Pre-tax profits were 4.3 per cent higher than last year's reported £140.8m. However, on a comparable basis following accounting changes last year, pre-tax profits fell from £148.3m.

Turnover for the six months to September 30 rose by 6.7 per cent to £469.8m. Interest charges were more than doubled at £32.2m (£11m).

Mr Roderick Paul, chief executive, said the results reflected "tight cost controls in the business".

Direct operating costs, excluding East Worcester Water, the recently acquired supplier, were 1.3 per cent lower in the first half.

Mr Paul said Biffa, the waste management company acquired for £212m in 1991, had contributed operating profits 10 per cent higher at £6.6m.

Turnover was 15 per cent up at £58.1m. Biffa was, however, still some way from covering interim interest costs of about £12m.

The other non-regulated businesses declined at the operating level from £1.6m to £800,000. Mr Paul said this was largely due to £1.2m in marketing costs for the international operation.

The core UK regulated water business benefited from cost cutting and production efficiencies, contributing a 12 per cent rise in operating profits to £167m. Sales were 5 per cent up at £394.1m.

Severn suffered an 8 per cent fall in consumption by its top 1,500 commercial customers.

Capital expenditure of £470m was budgeted this year, down from £550m, with a further decline to roughly £400m next year. The interim dividend is lifted to 7.55p (7p), payable from earnings 6 per cent higher at 39.4p.

COMMENT

The good news came where least expected at Severn Trent. Biffa, long the focus of unhappy controversy over the price paid and onerous financing commitments, appears to have more than held its own; at least, compared with Shanks & McEwan. Still, cynics argue any contribution after financing costs could be up to a decade away. The decline in operating costs was expected, but could work against Severn in the price review next year. There is a possibility that Ofwat will squeeze the efficient Severn harder to allow others with greater commitments to stay. Given such uncertainties, Severn appears fully valued. Full-year forecasts are for £275m pre-tax, with a dividend of 22.8p.

Linread gives full year warning

Linread, the components and fasteners group, warned yesterday that its pre-tax profits for 1993 would be lower than market forecasts, but ahead of last year's £310,000.

Profits would be held back by redundancy charges roughly double the £268,000 for the first half. The shares closed down 8p at 98p.

Schlumberger sale to management

Schlumberger, the oilfield services company, is selling its transducer and instruments group to a management team led by Mr Phil Tempest, currently group managing director.

Funds advised by Schroder Ventures are supporting the buy-out of the group which will be known as Solartron.

All-round advance lifts Leeds 31% to £7.23m

By Peter Pearce

Leeds Group, the West Yorkshire-based textile dyer and printer, increased pre-tax profits by 31 per cent from £5.5m to £7.23m over the year to September 30.

The group is proposing to lift the annual dividend by 16 per cent and make a 1-for-2 scrip issue.

Mr Robert Wade, chairman, said that the dividend rise - up to 8.5p (7.33p) adjusted for last year's scrip - via a 5.75p final - was the 27th consecutive annual increase for the group.

Turnover expanded 14 per cent to £47.1m (£41.3m), though Mr Wade pointed out that a 30 per cent fall in wool prices for the second year running and the reduction in output at the Walsden factory had an increase in volumes of about 15 per cent.

The fire at Walsden made its way on to the profit and loss account via credits of £672,000 and £298,000 for business interruption insurance and material

damage insurance respectively.

Mr Wade said the group was having to look for future profits not from price increases, but rather cost cutting, higher volumes and other such measures.

He said that about 30 per cent of the group's output went abroad, though the Japanese and European markets remained depressed. The Middle East was "quite good, though not as good as last time", but new markets, such as Taiwan, South Korea, Thailand and Singapore, were doing well.

"All divisions of the group contributed to the increased profit," said Mr Wade, with the two Dutch companies acquired in April for an initial £2.49m contributing £553,000, and the leasing side, often thought anomalous, making £266,000 (£286,000).

Earnings per share, including the material damage insurance, emerged at 28.6p and excluding it at 26.9p, against 22.1p last time.

Kingfisher takes stake in German office supplier

By Neil Buckley

Kingfisher, the retailing group, is buying a 33 per cent stake in Maxi-Papier-Markt, the German office superstore group for DM20m (£7.9m). The purchase follows its move into France through the takeover earlier this year of Darty, the electrical retailer.

The agreement also involves Staples, the US office superstore chain investing a further DM20m in Maxi-Papier, which was founded in 1985 and operates 11 office discount stores in Germany, lifting its holding to

49 per cent. Kingfisher and Staples formed a joint venture last year to develop office superstores in the UK.

Sir Geoffrey Mulcahy, chairman of Kingfisher, which also owns the B&Q, Comet, Woolworths and Superdrug chains, said its entry into the German market was a direct result of its relationship with Staples.

"Staples" and Maxi-Papier's expertise in the office supplies industry combined with our own retail experience will enable us to expand and grow this business," he added.

NEWS IN BRIEF

DANKA BUSINESS Systems is acquiring the photocopying interests of Murray International Holdings for £1.7m cash. The acquired companies' most recent accounts showed a pre-tax loss of £350,000 on turnover of £10.5m.

GENTON International offer for Anglo-Eastern Plantations has gone unconditional. At 3pm on November 25, Genton and its concert parties, owned and had received acceptances in respect of 13.41m AEP shares (51.19 per cent). Offer

will remain open until December 9.

LINTON PARK is to buy British African Tea Estates (Holdings) from Lawrie for £2.4m, subject to an adjustment, which will be satisfied by the issue of 823,077 new shares at 29p.

PEEK, the multinational traffic and field data systems group, is paying £1.85m for Elequip, a subsidiary of Silvermines. Price will be satisfied by £400,000 in cash and balance by issue of ordinary shares.

GOLD FIELDS OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)
(Registration No. 00504181/008)

CONVERTIBLE REDEEMABLE CUMULATIVE PREFERENCE SHARES

DECLARATION OF DIVIDEND

Dividend No 19 of 145 cents per preference share for the six months ending 31 December 1993 has today been declared in South African currency, payable to preference shareholders registered in the books of the company at 12.00 on 31 December 1993.

Shareholders may on 28 January 1994 vote to convert their shares into ordinary shares of the company.

Standard conditions relating to the payment of dividends are obtainable at the share transfer office and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 12.00 on 21 December 1993 in accordance with the above-mentioned conditions.

The register of members will be closed from 1 to 7 January 1994, inclusive.

By order of the Board
per pro GOLD FIELDS CORPORATE SERVICES LIMITED
London Secretaries
S.J. Dunning, Secretary

United Kingdom Registrar:
Bentley Registrars
Bentley House
34 Beekham Road
Berkhamstead
Herts SG8 4TU

London Office:
Greenwich House
Fenchurch Street
London EC3A 3BN

2 December 1993

Bayerische Landesbank Bulletin

MONEY AND CAPITAL MARKETS REPORT

GERMAN BOND MARKET STRIKING PARALLELS

A comparison of the present interest-rate cycle with previous ones reveals striking parallels: Excess liquidity is helping to nudge interest rates down.

Even after the latest cut in the key rates, hopes for a further fall in interest rates are still alive. While in the past such a constellation of rates-cyclical low of bond yields and a lowering of the key rates had almost inevitably triggered a setback in the bond market (at least a temporary one), there was hardly any reaction this time. Although the ten-year yield is at its lowest level in the past five-and-a-half years and only some 50 basis points above previous lows (e.g., 1978 and 1987), there is still room for a fall in the key interest rates and thus in the rates at the short end of the market.

At any rate, the fundamental situation in the late autumn of 1993 is such that no early interest-rate reversal need be feared. After the swift decline in interest rates, however, mainly since the start of the currency turmoil in the EMS in the autumn of 1992, the question as to the remaining downside potential looms large. Interest rates have come a long way since the cyclical peak in the autumn of 1990, when ten-year bank bonds yielded 9.1 per cent, five-year bonds 9.15 per cent and time deposits as much as 9 1/4 per cent; the long-term yield is now almost one-third lower, and the yield on medium-term bonds and that at the short end of the market are down approx. two-fifths and one-third, respectively. A comparison with the previous interest-rate cycle shows the following picture: The rate for five-year securities dropped by some three-fifths between 1981 and 1987, the ten-year yield halved, and money-market rates in the summer of 1987 were down to a quarter of their 1981 level.

A comparison with previous interest-rate cycles reveals striking parallels: Similar to the situation at the time of the 1978 and 1987 interest-rate lows, ample liquidity has helped to nudge rates down, most of which came from foreign sources (including reinvestments of German capital by Luxembourg-based investment funds). Another point worth mentioning: In 1978, the lowest nominal rates for five-year and ten-year public bonds were 5 per cent and 5 1/2 per cent, respectively. In 1987, the yield on five-year special federal bonds, with a coupon of five per cent and an issue price of 100.80, fell to 4.82 per cent; ten-year federal bonds had a coupon of 5 1/2 per cent. In the current cycle, special federal bonds yield 5.26 per cent and ten-year bonds return 5.88 per cent.

However, when trying to fathom the remaining potential for interest-rate cuts, one should not rely too much on past experience; instead, it would seem preferable to look at the factors determining the current trend. The following positives and negatives have to be taken into account:

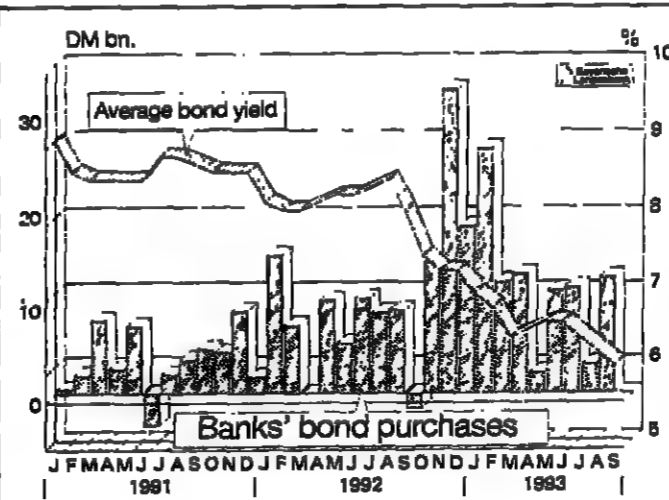
● Inflation will continue to cool in 1994, so that there will hardly be any need to keep money tight on this account. The rise in prices - in October the figure "three" reappeared before the decimal point for the first time - should slow down to a three-per-cent pace next spring.

● The demand for loans and capital will grow at a moderate pace in 1994. Housing construction and (probably) public-sector borrowing demand will not be much higher than in 1993, though the latter will be noticeably above the average for the preceding years. The corporate sector's borrowing demand will probably diminish in 1994.

● The investment potential will again be sufficiently high next year to allow the demand for capital to be met without difficulty. If the D-mark remains strong, D-mark investments will continue to be favoured by foreign investors. The steady growth of household wealth can be expected to continue.

These positives tend to stabilise the bond market, while the negatives do not yet give cause for serious concern, though they may cause some irritation from time to time. The negatives are a possible reversal of US monetary policy and uncertainty regarding the future course of exchange rates.

Weighing the negatives against the positives, we see no likelihood of a drastic change in the direction of interest rates. The Bundesbank will continue the balancing act between external necessities and internal requirements. It has already been successfully performing this year. This means a further reduction in money-market rates, which - if past cycles provide any clue - still have room for a fall of about 150 basis points.



German banks have sharply increased their net purchases of fixed-interest securities. In the past two years, they have alternated with foreigners as the dominant investor group in the German market. Since the fourth quarter of 1992, banks have added DM155 billion worth of bonds, or more than two-fifths of total net purchases, to their portfolios. With the yield curve taking on its normal shape again, banks should remain buyers of fixed-rate securities. Their present holdings of bank bonds and public bonds come to more than DM 700 billion.

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 **Bayerische Landesbank**

COMPANY NEWS: UK

Scapa hits £22m and buys French tape maker

By Andrew Bolger

Scapa Group, the industrial materials group which mainly supplies the paper industry, yesterday announced a European acquisition, a second enhanced scrip dividend and an 11 per cent increase in interim pre-tax profits to £22.2m.

The group is buying Barnier, a French specialist tape manufacturer, from the Borden Group in a deal worth £20m. The Blackburn-based company said this developed its strategy of building a substantial international business in specialist tapes.

Barnier, which exports a third of its products, last year made pre-tax profits of £2m on sales of £25m. Scapa, which entered the specialty tapes market in 1986, has since made acquisitions in the UK, France and Italy.

The Barnier acquisition will be funded from Scapa's exist-

ing cash resources. Barnier, founded in 1917, employs 280 people and has two manufacturing bases in Valence, France, with further sales and distribution operations in Düsseldorf and Barcelona.

Mr Harry Tuley, Scapa's chairman, said: "Annual turnover from our specialist tapes businesses will now be in excess of £70m, making us one of the largest manufacturers of specialist adhesive tapes in Europe."

Group sales for the six months to September 30 rose by 19 per cent to £187.2m. Scapa said only five percentage points of that was organic growth, the rest coming from acquisitions and the effect of foreign currency translation.

Earnings per share increased to 5.1p (5.7p) and the interim dividend is lifted from 1.6p to 1.65p. Scapa is again offering an enhanced scrip worth 2.47p, an increase of 50 per cent over the cash dividend.

BZW is offering a cash alternative worth at least 2.42p, worth 98 per cent of the enhanced scrip.

Mr Tuley said Scapa had made a second enhanced scrip issue because the group could still profitably employ the cash saved in the business, but the board would not seek to renew the authority for issuing enhanced scrip dividends next year.

The chairman said the results demonstrated Scapa's resilience against a background of continuing economic recession in its main markets, and the group had increased market share. The extended recession had been coupled with continuing problems of over-capacity in the paper industry in both western Europe and the US.

Scapa is about to open a new plant for engineered fabrics in Malaysia, the group's first factory in its rapidly growing markets of south-east Asia.

Micro Focus shares fall 16%

By Alan Cane

Shares in Micro Focus, the Berkshire-based computer software house, closed 16 per cent down at £10.58p on a warning that profits were unlikely to match revenue growth in the second half of the current year.

In February the shares touched a peak of £30, but have since been declining. Mr Paul O'Grady, chairman and chief executive, attributed the profits slowdown to three factors. First, customers were confused by the plethora of new technologies available. The increased time being taken on spending decisions was causing a temporary slowdown in the growth of spending on Micro Focus products.

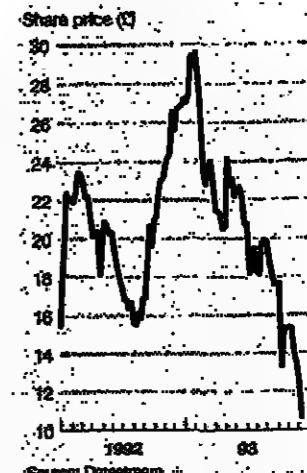
Second, the large computer manufacturers, who had been buying the company's software tools in substantial quantities to market with their hardware, had seen their own businesses decline and this had adversely affected Micro Focus sales.

Third, a new and advanced software product, PL/I, was still in the later stages of customer acceptance testing and was due for first deliveries in late-December. It would make little difference to turnover in the current year.

Mr O'Grady concluded: "This means that I forecast some revenue growth in the current fiscal half year, but it will be difficult to achieve sequential earnings growth in dollars compared with the first half."

In the first half to July 31, pre-tax profits grew by 20 per cent to £11.6m on sales of

Micro Focus Group



\$40m. In dollar terms, however, pre-tax profits fell from \$17.6m to \$17.4m.

Micro Focus develops software tools that make it possible for companies to develop large software systems on personal computers.

The company's shares fell sharply in August after a US analyst issued a sell note - some 20 per cent of Micro Focus stock is held as ADRs, so US investment sentiment has a powerful effect on the company's share price.

Yesterday analysts said they were confused by the company's explanations for the projected slow-down; US analysts were especially strident. Their UK colleagues have cut their full-year earnings projection from between £27m and £30m to between £23m and £25m.

Yorkshire-Tyne Tees deficit expected to grow to £8.5m

By Raymond Snoddy

Losses for the 12 months to the end of September at Yorkshire-Tyne Tees, the financially troubled ITV company, are likely to be higher than expected.

Last month the company issued a formal statement saying that a deficit was likely for the year.

All the signs were that the expected loss, mainly caused by controversial methods of selling advertising space as trying to pull forward revenue by heavy discounting, could be contained at a pre-tax loss of about £8m.

It is believed that Yorkshire-Tyne Tees has now decided not to include a discount on its subscription to the national ITV network in the 1992-93 year because it will not be paid until early next year.

A discount of some £3.5m is expected because of the fall in Yorkshire-Tyne Tees' share of

net advertising revenue - the basis on which network programme costs are allocated.

As a result pre-tax losses of the company, in which Pearson, owners of the Financial Times, has a stake, are likely to be in the region of £8.5m.

There is, however, a realistic possibility of a return to profit in the current financial year. Despite its problems Yorkshire-Tyne Tees is being examined by a number of possible predators, including LWT which already owns 14 per cent.

Any purchase by another ITV company, however, would require the immediate disposal of Tyne Tees because under proposed new government rules an ITV company, outside London, can hold two broadcasting licences but no more.

The new rules, due to come into effect on January 1, will be debated in the House of Commons next Wednesday and by the House of Lords on December 13.

Hays to pull out of insurance broking

By Andrew Bolger

HAYS, the business services group, has decided to transfer its in-house insurance broking to Alexander & Alexander, the international brokers based in the US.

The group has consequently agreed to sell its St Olaf insurance broking business to a management buy-out. St Olaf will continue with its non-Hays clients, which comprise a substantial minority of its current business.

Hays said this move would produce an ongoing annual savings of more than £600,000. The changes will result in some 30 redundancies, about half the St Olaf staff, although some may be re-employed by Alexander & Alexander.

Mr Ronnie Frost, executive chairman of Hays, said: "Hays does not view insurance broking as a long-term activity, and as the group becomes increasingly international, it requires an international rather than a UK broker to service its insurance needs fully and cost-effectively."

The move would allow St Olaf's management to devote their time to servicing their portfolio of clients.

Enlightened Tobacco placing

The Enlightened Tobacco Company yesterday announced that its private placing of 1.25m shares at £1 had been fully subscribed.

The company, which claims a corporate ethos of an honest approach to cigarette marketing, sells cigarettes under the Death brand name, which it said had proved very popular with its target market of 18 to 34-year-olds.

A new brand, Death Lights - to be marketed as Slow Death - is also planned for the new year.

Growth in advertising boosts Metro Radio

By Chris Tighes

Increasing interest in radio as an advertising medium and signs of returning consumer confidence helped Metro Radio Group, the USM-quoted radio station operator, increase pre-tax profits by 27 per cent to £2.36m in the year to September 30, against £1.86m.

The group operates seven independent radio stations in north-east England and Yorkshire.

Advertising revenue rose by 17 per cent to £14.7m (£12.6m). Local and regional revenue was 23 per cent higher. A strong recovery in the second half resulted in a national revenue increase of 1.9 per cent. Turnover rose to £17.7m

(£15.2m). Net debt dropped 38 per cent to £1.47m (£2.38m).

Earnings per share rose by 25 per cent to 8.4p (7.5p) and the total dividend goes up 10 per cent to 6.5p (5p) via a final of 4p.

Mr John Josephs, managing director, said the increase in advertising demand had been across the board, but growth areas had been motor manufacturers and dealers and retailers of furniture and white goods.

The arrival in the marketplace of Classic FM and Virgin had raised radio advertising's profile, he said.

Mr Neil Robinson, chairman, said the group had made an excellent start to the new financial year, with advertising revenue well ahead.

BANCO POPULAR ESPAÑOL

FORMAL BRIEFINGS AND SHAREHOLDERS' MEETINGS

In order to accommodate the current legal requirements governing corporations and the Bank's policy of full disclosure, speed, objectivity and depth in reporting, the customary timetable established for the formal briefings and shareholders' meetings comprising the overall reporting process for the present fiscal year is as follows:

• Directors on the morning of Thursday January 27, 1994, the Bank's Board of Directors will formally approve and sign the 1993 financial statements, management report, income distribution proposal and related consolidated documents, which are statutorily subject to audit.

• Financial press: at mid-day on Thursday January 27, 1994, there will be the traditional briefing session for the press made as the regular conduit for conveying information to all parties with an interest in the Bank's affairs. The annual report (in Spanish and English), the mandatory documentation approved by the Board and all the other customary documents will be available on this date.

• Institutional investors, whether shareholders or not: the customary briefing will take place in the afternoon of Thursday January 27, 1994.

• Managerial staff of the Bank following the practice of recent years, a briefing for managers will take place on the morning of Friday January 28, 1994.

• Minority shareholders: as is customary, the Bank's minority shareholders will be briefed on the morning of Saturday January 29, 1994.

• On Friday March 4, 1994 we will publish the notice calling the Bank's shareholders' meeting for Thursday June 30, 1994, with the following provisional agenda: 1) Approval of the Bank's individual and consolidated financial statements and distribution of income for 1993, and conduct of the business in that year. All documents approved and signed by the Board of Directors on January 30, 1994, will be submitted to the shareholders' meeting for their approval. These documents will be available to shareholders on the day they are signed by the directors. The "Auditors' Report" will also be available to shareholders from the day the shareholders' meeting is called. 2) Removal, election, ratification and resolution of directors. As it is customary, every year, all directors will seek their reappointment from the shareholders' meeting. 3) Authorization to acquire treasury stock within the legally permitted limits and periods. Such authorization must be renewed each year because it cannot exceed eighteen months. 4) Information and briefing on agreements relating to the start up and discontinuance of activities in different areas of the group. Incorporation of Banco Popular Hipotecario and Popular Fidejussur, and discontinuance of the business of Banco Popular Industrial through its absorption by Banco Popular Español.

The foregoing timetable not only complies strictly with the relevant legal requirements but also aligns the Bank with the most advanced trends of corporate law practice, overcoming the obvious limitations of an isolated event (the traditional shareholders' meeting) by establishing an ongoing process of communication tantamount to an open-ended shareholders' meeting which starts with the publication of the information at the end of January and formally concludes with the shareholders' meeting proper at the end of June. In a broader sense, there might even be said to be a permanent open-ended shareholders' meeting throughout the year, with periodic input in the form of the Bank's published quarterly financial reports.

The immediate communication link between the Bank and its shareholders is the Shareholders' Bureau (Banco Popular Español y Gassat, 28006 Madrid, telephone numbers (341) 520 73,002/3. Fax number (341) 577 92,068, on two different but identical levels: the information level and the involvement in management level, which shareholders can make use of as often and as extensively as they wish.

The shareholders may at any time exercise their legally recognized right to inspect all the relevant documentation at the Bank's head office or to ask for it to be sent to them free of charge: to make inquiries or comments, in person, by telephone or in writing; to formally declare their concurrence with or opposition to all or any of the proposals; and to exercise their voting rights discretely or collectively, to dissent from voting if they so wish, or to concur with decisions made by others.

December 1993

SCAPA GROUP PLC

Interim results for six months ended 30 September 1993

Sales up 19 per cent to £187.2 million

Pre tax profits up 11 per cent to £22.2 million

Earnings per share up 7 per cent to 6.1p

Interim dividend increased by 3 per cent to 1.65p

French specialist tapes acquisition announced

"All three divisions have performed well in light of the market conditions. We are confident that our continuing efforts in the areas of product and service innovation, added to improvements in productivity and quality, will allow us to continue to make progress."

H Tuley, Chairman

Copies of the Interim Report will be available after 10 December 1993 from the Company Secretary, SCAPA GROUP PLC, Oakfield House, 93 Preston New Road, Blackburn, Lancashire BB2 6AY.



This notice is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange"). Application has been made to the London Stock Exchange for the whole of the ordinary share capital of Telspec plc, in issue and now being issued, to be admitted to the Official List. It is emphasised that this advertisement does not constitute an offer or invitation to any person to subscribe for or to purchase securities. It is expected that dealings in the Ordinary Shares of Telspec plc will commence on Thursday, 9th December, 1993.

Telspec plc

(Incorporated and registered in England and Wales No. 2870908)

Placing
by
Credit Lyonnais Laing
of 12,653,562 Ordinary Shares
of 25p each at 160p per share

Share capital immediately following the Placing

Authorised	Amount	Issued and fully paid	Amount
Number	£10,500,000	Number	£7,928,297
42,000,000		31,713,188	

The Telspec plc group of companies is an international group which designs and manufactures advanced telecommunications equipment, principally for sale to companies providing and operating telecommunication networks.

Copies of the listing particulars may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including Thursday, 16th December, 1993 from:

Telspec plc
1-5 Lancaster Parker Road
Broadwalk Airport
Roxhampton
Kent ME1 3QU

Credit Lyonnais Laing
Broadwalk House
5 Appold Street
London EC2A 2DA

and during normal business hours up to and including Monday, 6th December, 1993, for collection only, from the Company Announcements Office, London Stock Exchange Tower, Capel Court entrance, off Bartholomew Lane, London EC2.

3rd December, 1993

CONTRACTS & TENDERS

AWARDING OF CARTUJA'93 THEME PARK

A NEW THEME PARK IS CREATED IN THE SOUTH OF EUROPE

A Theme Park has been in operation in the internationally renowned city of Seville since June 1993 and has received more than three million visits over the first six months of its existence.

BASED ON PART OF THE 1992 UNIVERSAL EXPOSITION SITE

Located in an area of 700,000 square meters, features which were extremely popular during the Expo in addition to new components offer

excellent leisure and entertainment opportunities for all ages: theme pavilions, high impact attractions, innovative audiovisual systems, etc.

CARTUJA'93 ANNOUNCES THE FINAL AWARDING PROCESS

Provisional operation of the Park is to continue until 2 April, 1994, and the final awarding of the latter will take place in June 1994.



Interested parties should submit their tenders before 28 February, 1994.

Requests for the document containing "Guidelines for the final awarding of the Theme Park" and any other information that may be required should be addressed to:

Mr. Arturo González Rivero,
Director of Promotion
at Cartuja 93

Sociedad Estatal Cartuja 93, S.A.
World Trade Center,
Isla de la Cartuja (2ª Planta)
41010 Sevilla - SPAIN
Tel. 34 (5) 443 82 10
Fax. 34 (5) 446 23 60

COMPANY NOTICES

GENERAL NOTICE OF THE COMPANY'S DECLARATION OF A DIVIDEND OF 10.38p (10.38p) per share of the common stock of the corporation payable on the 10th December 1993 there will be a dividend of 10.38p (10.38p) per share of the common stock of the corporation payable on the 10th December 1993. The dividend will be paid by cheque to the registered shareholders of the company on the 10th December 1993. All claims must be accompanied by a completed claim form and USA tax declaration (if applicable) from the depository. Claims must be received by the depository on or before 15th December 1993. All claims must be accompanied by a completed claim form and USA tax declaration (if applicable) from the depository. Claims must be received by the depository on or before 15th December 1993. All claims must be accompanied by a completed claim form and USA tax declaration (if applicable) from the depository. Claims must be received by the depository on or before 15th December 1993.

Bovestys Bank PLC
BOVES LONDON COUNTRY SERVICES
168 Fincham Street, London EC2P 3JP

Quebec Central Railway Company
Capital Stock

In preparation for the payment of the half-yearly dividend due January 15, 1994 on the above stock, the transfer books will be closed at 3.30 pm on December 17, 1993 and will be re-opened on December 28, 1993.

D.R. Keast
Assistant Secretary
62-45 Trafalgar Square
London WC2N 6DY
December 2, 1993

THE BUSINESS SECTION

appears Every Tuesday & Saturday. Please contact
Melanie Miles on
071-873 3308 or write to her at
The Financial Times,
One Southwark Bridge,
London SE1 9HL

Handwritten signature in Arabic script.

Replacement side helps lift Anglian to £12.2m

By Tim Burt

Buoyant demand for replacement windows helped Anglian Group, the double glazing company, increase pre-tax profits by 19 per cent to £12.2m in the six months to October 2.

The self-proclaimed market leader said yesterday that a strong performance by its retail division pushed turnover up 18 per cent to £84m (£71.4m).

The division, however, has come under increasing pressure to sustain the group following the loss of lucrative contracts with the recently privatised Property Services Agency.

Turnover in the commercial division, which handled work for the PSA, declined 5 per cent and accounted for just 10 per cent of the half-year total.

In the last financial year the value of Anglian's PSA contracts was estimated at £15m, representing about 75 per cent of the commercial division's business.

Mr David Herman, group finance director, admitted yesterday that the privatisation - ending three years in which Anglian had enjoyed "favoured status" with the PSA - was a blow for the company.



Bill Hancock: new products and sales drive will help group

"It has increased the pressure on our retail business to make up the shortfall. If we get any work from the PSA's successors it will be a bonus," he said.

To shore up its commercial division, Anglian has pursued new local authority contracts. The move follows its £8.5m acquisition in March this year of New England Windows, which already supplies councils.

NEW contributed £6.97m to turnover, but margins on public sector work are expected to shrink because spending cuts have forced councils to

opt for low cost products.

Mr Bill Hancock, chief executive, said the introduction of new products and a sales drive in Scotland, north west England and the Midlands would help the group "continue its positive progress".

Mr Hancock also announced he will retire next September to make way for Mr Ron Swift, managing director of the Anglian Windows subsidiary.

Earnings per share - restated on a pro-forma basis to take account of last year's flotation - were up from 8.5p to 9.1p and an interim dividend of 4.1p (3.7p) is declared.

COMMENT

Anglian's shares closed 22p lower at 331p, reflecting concern at the loss of the PSA business. However, the group's move to win local authority business was likely to soften the blow in the long-term. The continuing strength, meanwhile, of the retail division is expected to result in full year pre-tax profits of £26.6m, putting the shares on a forward multiple of 16.5. The group's ability to rely on its retail side should ensure continued growth, although uncertainty over price cutting by competitors could depress the share price further.

P&O invests in another Chinese container port

By Simon Davies in Hong Kong

Peninsular & Oriental Steam Navigation yesterday announced its second investment in Chinese container ports in 10 days.

The group is to take a controlling stake in the Yangtze river port of Zhangjiagang.

The terminal is being expanded to develop two container berths, and P&O believes it will become the focus of one of the main industrial centres of central China, between the cities of Wuxi, Suzhou and Changzhou.

The Zhangjiagang port can handle Panamax carriers, and the leading Chinese shipping groups already operate services to ports around Asia. The total cost of constructing the two berths will be about \$50m (£23.5m).

Last week, P&O joined forces with Hong Kong's Swire Pacific to purchase 50 per cent of the container terminal at Shekou, in the Pearl River delta, for HK\$615m (£54m).

The port will have container throughput of 1.1m TEUs. The investment in Zhangjiagang is less ambitious.

The terminal is situated

approximately five hours upstream from Shanghai and currently has container capacity of 150,000 TEUs. However, the investment underlines the group's determination to develop its transport-related activities throughout China.

Mr Brian Baillie, deputy chairman of P&O Asia, said that growth in export-oriented manufacturing around Zhangjiagang was similar to that of the Pearl River delta, which in the past decade has become one of the world's biggest export-processing centres.

P&O has bought the majority of a company which owns 51 per cent of the port, but Mr Baillie would not reveal the amount of P&O's investment.

The Chinese government has been anxious to bring in foreign expertise to improve the efficiency of its ports.

Mr Li Ka-shing's Hutchison group has already taken stakes in the ports of Zhuhai, Yantian and Shanghai, while the late Sir YK Pao's Wharf (Holdings) has secured the deep water port of Ningbo.

Mr Baillie said P&O was analysing a number of other investment opportunities for ports along the Yangtze and in north-eastern China.

ICL makes £100m rights to bolster balance sheet

By Alan Cane

ICL, the computer company, is raising a total of £100m through a rights issue, underwritten by its parent, Fujitsu of Japan.

Northern Telecom of Canada, which holds 20 per cent of ICL, is not taking up its entitlement resulting in Fujitsu's stake rising from 80 per cent to 84 per cent.

Fujitsu is subscribing for 77m new shares for £50m, giving it an entitlement to warrants to subscribe for a further £50m of new shares next year. It has agreed to exercise the warrants in November 1994.

It is the first time since 1982 that ICL has sought further equity and reflects the company's pessimistic view of trading conditions for the next two

years. Mr Peter Bonfield, chairman and chief executive, said the issue was to strengthen the balance sheet as a precaution against continuing structural upheaval in the industry.

"Against this background," he said, "it is more important than ever that we approach the next few years from the strongest possible financial base."

"I may be more cautious than I need be, but I believe a number of information technology companies are going to find themselves seriously short of cash and that access to money will become as big a problem as access to technology."

The proceeds will be used to cut borrowings, giving gearing of between 30 per cent and 30 per cent against the present 50 per cent to 60 per cent.

Fujitsu took over ICL, formerly a subsidiary of STC, at the end of 1980. The two companies have since operated at arms length, partly in preparation for ICL's return to the London stock market, now unlikely for at least three years. As a consequence, Fujitsu's further investment has been treated as a formal rights issue.

ICL has proved the only consistently profitable European computer maker over the past few years as red ink has engulfed its French, German and Italian competitors.

Profitability has been falling, however. Last year the group recorded pre-tax profits of £80.6m on turnover of £2.48bn. Mr Bonfield did not see appreciably better results for the next two years.

Labels depress Tinsley Robor

Tinsley Robor, the printing and packaging group, reported pre-tax profits of £12,000 for the six months to September 30, against losses of £132,000. For the full year to March 1993 the group returned to the black with £15,000.

Ongoing losses at Howards Printers, the label printing subsidiary, continued to depress group results, Mr John Rose, chairman, said. Elsewhere trading continued at tight margins with volumes maintained but expected growth had not materialised.

The new specialist music industry printing plant at Uden in the Netherlands, completed its first orders in August, Mr Rose said. Start-up costs of £206,000 were included in the results.

Most of the £1.9m capital expenditure during the period related to the Uden plant. Spending in the second half would be much reduced, he said.

Turnover grew from £12.4m to £13.1m. Losses per share were cut to 0.2p (0.4p).

NEWS DIGEST

Castings advances to £1.97m

Pre-tax profits at Castings advanced 34 per cent to £1.97m in the six months to September 30, against £1.48m. Turnover was 12 per cent ahead at £18.3m, compared with £16.3m.

The shares for this West Midlands-based maker of iron castings advanced 10p to 208p.

Mr Brian Cooke, chairman, said it was the first time since the year to March 1991 that the company had seen a return to reasonable levels of trading at all companies. Margins, though not at previous levels, were satisfactory.

Earnings per share were 6.25p (5.06p) and the interim dividend is raised to 1.55p (1.3p).

Inchcape in Far Eastern venture

Inchcape, the international services and marketing group, has formed a joint venture with LA Gear of the US to market, distribute and sell LA Gear branded footwear, apparel and accessories in selected south-east Asian markets.

Operations of the joint venture will begin in Singapore, Malaysia and Indonesia and will subsequently extend into other markets, including China.

Scottish Inv Trust debenture issue

Scottish Investment Trust has increased its total debenture borrowing to more than £77m through the placing of a £20m issue with the Royal Bank of Scotland. The issue has a coupon of 7.75 per cent and is redeemable in 2013.

The independently-managed trust, which has assets exceeding £23m, said a proportion of the funds would be invested in the UK equity market.

UniChem in further expansion moves

UniChem, the pharmaceutical distributor and retailer, has announced further expansion in the form of an acquisition and a distributorship.

V. Moss (Moss Chemists), the retail subsidiary, has acquired Gerald Hughes Chemist, based in Reading, Berkshire, for a maximum £90,000, to be satisfied by £380,000 in cash and the issue of 105,559 shares. In addition, UniChem has been appointed sole distributor in Scotland by Numark, the own brand of independent pharmacies.

Wrexham Water ahead at £1.74m

Profits of the Wrexham and East Denbighshire Water Company rose from £1.07m to £1.74m pre-tax for the half year ended September 30.

The improvement mainly reflected the completion of

remedial work at the company's raw water reservoirs in 1992-93.

Turnover expanded from £5.15m to £5.52m. The interim dividend on the participating ordinary stock is lifted from 40p to 46p.

Angerstein invests £58m in portfolio

Angerstein Underwriting Trust has invested about £58m in a portfolio of UK equities designed to replicate the constituents of the FT-SE 100 Index.

The trust has also invested in a put option, expiring in September 1994, to protect against a fall of more than 5 per cent in the value of the portfolio.

Northumbrian Water expands

Northumbrian Water Group, through its waste management subsidiary, has acquired Enviricare, a waste collection and transport company. The precise terms were not disclosed.

Enviricare has 20 per cent of the waste transport market in the region with more than 500 clients, including large supermarkets and chain stores.

Monks Inv Trust net asset value rises

Net asset value per share at Monks Investment Trust increased from 472.2p to 575.5p over the six months to October 31.

Net revenue for the period was £3.63m (£4m) for earnings per share of 4.55p (6.16p). The interim dividend is maintained at 2p.

Butte Mining cuts loss to £0.54m

Butte Mining, the UK quoted company whose main activity is prosecuting US lawsuits - it is seeking damages of \$975m (£854m) from former managers and promoters - cut its loss for the year to June from £10.8m to £0.54m.

Losses per share narrowed from 4.5p to 0.2p. The company said the reduced deficit resulted from the disposal of lessmaking assets and cost cutting.

The company was unable to dispose of its shareholding in VAM, a lessmaking Australian gold producer, and a provisional liquidator was appointed in March. The liquidator has arranged for VAM to be refloated and, if this is completed early next year, Butte will receive about £50,000.

Graseby sells offshoot

Graseby has sold its Graseby Keltek offshoot to its management for a minimum of £3.17m of which £2.58m has been paid on completion and the balance over three years.

The final price will be determined when the purchased net asset values have been determined.

BOARD MEETINGS

The following companies have published dates of board meetings to the 11th December. Share meetings are usually held for the purpose of considering dividends.

Only one company has a date for a shareholders' meeting which is outside the period 11th to 15th December.

TODAY

Investor: Equifax - with "London" - 10.00am

FUTURE DATES

Investor: British Telecomm - 11.00am
Investor: British Telecomm - 11.00am
Investor: British Telecomm - 11.00am
Investor: British Telecomm - 11.00am
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Investor: British Telecomm - 11.00am

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

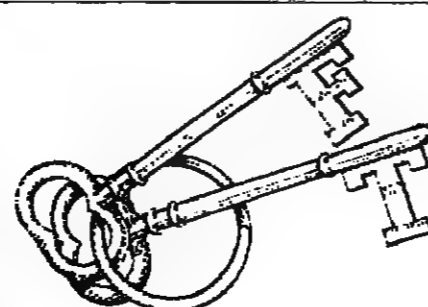
The theme for the 1994 prize, worth not less than £3,000, is:
**CAN THE DEVELOPING WORLD BECOME RICHER
WITHOUT THE DEVELOPED WORLD BECOMING UNEMPLOYED?**

Applicants, aged over 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further. Please argue your case from the viewpoint of a particular country or industry.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

CLOSING DATE JANUARY 7 1994

APPLICATIONS TO:
ROBIN PAULEY, DEPUTY MANAGING EDITOR
THE FINANCIAL TIMES (FT)
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مكتبة الامم المتحدة

COMMODITIES AND AGRICULTURE

Aluminium glut talks 'positive'

Multilateral talks on the problems of the world aluminium market have generated "positive" momentum but were likely to end with no more than a "broad framework" for easing the current oversupply, the head of a US industry group said as government delegates prepared to complete a two-day session here, reports Reuters from Washington.

Mr David Parker, president of the Aluminium Association, added that another session of

talks would probably be held during the next six weeks. Speaking after a closed-door briefing by US government negotiators, Mr Parker added that "there's been no discussion of formulas or numbers". And he thought no such discussion was likely yesterday.

Government officials from the US, Russia, Australia, Canada, Norway and the European Community met on Wednesday to discuss ways of resolving the world aluminium glut, fol-

lowing talks earlier in the day that included industry representatives. The meeting was continuing yesterday. Mr Parker noted that a number of factors made a quick agreement unlikely, including the General Agreement on Tariffs and Trade talks and the coming parliamentary elections in Russia, the main source of the flood of aluminium that has undermined the western market since the collapse of the Soviet Union.

He nevertheless expressed satisfaction with the talks so far, which were scheduled as a follow-up to multilateral talks held in Moscow in late October. "The momentum that was generated at (Wednesday's) discussion was to be positive," he said.

He added, however, that the urgency of the issue was such that governments would be placed under pressure to find a solution.

Jamaican bauxite sector feels the pinch

Low prices are threatening expansions plans, writes Canute James

Jamaica's bauxite mining and refining industry is weighing carefully the depressed state of the international aluminium market, hoping that companies operating in the island will not be dissuaded from continuing a US\$500m investment programme over the next seven years.

As the world's third largest producer of bauxite (aluminium ore), however, the island is feeling the effects of falling metal prices. Ore production, which slipped last year by 1.5 per cent to 11.3m tonnes, is expected to be unchanged this year, as is alumina (aluminium oxide) production, at 3m tonnes.

It is in the earnings from the industry - an important component of the island's narrow economy - that Jamaica is feeling the pressure. Mr Carlton Davis, chairman of the Jamaica Bauxite Institute, says that the soft metal market is depressing Jamaica's earnings from bauxite and alumina, most of which is through production levies and income taxes.

While bauxite production fell only marginally last year, the island's earnings from the industry declined by a hefty 13.6 per cent to \$577m. Jamaica will be fortunate if earnings amount to \$500m this year, \$200m less than two years ago, says Mr Davis. This forecast is supported by figures showing

bauxite production in the first three quarters of this year down 1.4 per cent from a year ago, with alumina output little changed.

Earnings have also been depressed by a steady depreciation of the Jamaican dollar over the past two years, with

Jamaican Bauxite Output (thousands)			
Year	1990	1991	1992
Q1	3,750	3,750	3,750
Q2	3,750	3,750	3,750
Q3	3,750	3,750	3,750
Q4	3,750	3,750	3,750
Q5	3,750	3,750	3,750
Q6	3,750	3,750	3,750
Q7	3,750	3,750	3,750
Q8	3,750	3,750	3,750
Q9	3,750	3,750	3,750
Q10	3,750	3,750	3,750
Q11	3,750	3,750	3,750
Q12	3,750	3,750	3,750

Projected. Source: Jamaica Bauxite Institute.

mining and refining companies spending less to meet local costs.

"The current state of the market might lead some companies to reconsider their capital programmes," says Mr Davis. "But conventional wisdom in the industry is that it is in times like these that one prepares to meet an upturn in the market."

The aim of the Jamaican industry is to lift refinery capacity, which is now being fully utilised, to 5m tonnes a year by the year 2000. The Jamaica refinery in central Jamaica, owned jointly by the island's government and the Aluminium Company of America, is being expanded to a rated capacity of 1m tonnes a

year, from 700,000, at a cost of about \$80m. Already under consideration is a later expansion that could lift capacity to 2m tonnes a year.

Alumina Partners of Jamaica, owned by Kaiser of the US and Hydro Aluminium of Norway, is spending \$300m to increase the output from the island's largest refinery to 1.5m tonnes a year, and then to 2m tonnes by the turn of the century.

Two refineries operated by Alcan of Canada, with a combined capacity of 1.1m tonnes a year, are being refurbished to lift output to 1.5m tonnes. Mr Davis says that the plants could be further expanded to produce 2m tonnes a year, using a grade of ore that was not yet being processed by the company.

While there is optimism that the state of the industry will not adversely affect these expansion plans, there has been reconsideration of two ventures. The governments of Jamaica and Trinidad and Tobago had been discussing the construction of an alumina smelter in Trinidad, using a "modular" system, starting with a small plant and enlarging in stages to meet market demand. Both governments were considering starting with a module with a plant of 55,000 tonnes per year. Mr Davis says this project is not

now being given priority because of the state of the market, and uncertainty about the cost of the local natural gas which would fuel the plant.

The industry's plans also included the construction of a caustic soda plant to reduce reliance on imports to meet the demand for 300,000 tonnes per year for the refineries. The project for a 50,000-tonne-a-year plant has been put back, Mr Davis said, because of a significant drop in world prices of caustic soda.

In a longer term project, the Jamaica industry is testing ore deposits in the north and north-western districts that could supply one or two new refineries. The island's government is planning an approach to multilateral financial institutions, in an effort to stimulate interest in financing and operating the refineries. If these projects are not feasible, the ores will be used to feed the expanded refineries, Mr Davis says.

"Jamaica is one of several locations which can attract new investment in the industry," he acknowledges. "There are many questions being asked about the continued efficiency of plants in North America and Europe. Along with Australia, India, Brazil and Venezuela, Jamaica is a profitable location for added production. The industry is very competitive."

Russians 'losing cost advantage'

By Richard Mooney

Russian aluminium producers "are starting to price themselves out of world markets", according to a study by the Anthony Bird consultancy. Russian production costs, which in mid-1993 were 61 per cent of western levels, up from 46 per cent a year earlier, last month reached 94 per cent and are "still rising", Bird says. "The flood of metal from east to west will cease," it suggests, as only two Russian smelters are likely to be competitive in the longer term.

Bird calculates average western operating costs at \$1.5 cents a pound, compared with a market price yesterday of 49.3 cents. Inclusion of capital servicing costs and normal profits raises the costs figure to 64.7 cents a pound. Aluminium Production Costs 1993: \$4,300, from Anthony Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey, KT5 5DD, UK.

Peru's mining giant up for sale next year

By Sally Bowen in Lima

Centromin, Peru's state-owned mining and refining giant, will go on the auction block early next year, company president Mr Hernando Barreto told delegates to Metals Bulletin's Latin America conference, which opened in Lima yesterday.

According to Mr Barreto, the company has a portfolio of 22 mining projects all over Peru "waiting for investors to come along", in addition to the seven units currently operating. In all it has over 2,000 tonnes of proven and probable reserves. The most important projects are Toromochi and Antamina, which have pre-feasibility studies completed and are intended to replace Centromin's Cobrizo copper mine, where reserves are expected to run out in six years.

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AMERICANS

Company	Price	Change	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594</
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INVESTMENT TRUSTS - Cont.

Stock	Price	% Chg	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	99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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

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Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro SS

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

RED PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum subscription price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most only trust members receive a refund.

However, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of orders of which some buyers

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before registration and were not the current listing prices.

levels because of an intervening particle revolution or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may want to forward price at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set in the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the parentheses are the usual prices.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from local authorities.

Other explanatory notes are contained in the last column of the PT Managed Funds Service.

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EMMA Corp. Exp. Money	4	518.27	50.857	33.128	-0.001	0.2%
EMMA 1st Money	4	118.27	10.228	10.945	-0.001	4.7%
EMMA 2nd Money	4	331.25	15.055	15.880	-0.001	1.8%
EMMA Corp. Exp. Money	4	328.20	48.240	57.242	-0.004	8.1%
EMMA 2nd Money	4	125.000	5.050	5.268	-0.001	4.6%
Carriancy Shifting	0	145.500	49.582	46.587	-0.005	4.9%
Carriancy US \$	0	145.500	23.500	23.446	-0.001	1.8%

FT MANAGED FUNDS SERVICE**FT MANAGED FUNDS SERVICE**[illegible]

Deutschengasse Portland	DM 12.50	1
Class A	DM 12.50	1
Class B	DM 12.50	1
Brand Station Portland		

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CURRENCIES AND MONEY

MARKETS REPORT

Bundesbank leads way

The Bundesbank set off a round of minor interest-rate cuts around Europe yesterday by setting its repurchase rate at 6 per cent for the next five weeks, *writes Rachel Johnson*.

It cut the repo rate by 25 basis points after its regular fortnightly council meeting but left its two main rates, the Lombard and the discount, unchanged at 6.75 per cent and 5.75 per cent respectively.

Central bank officials indicated this could be the first time that the Bundesbank had announced ahead of time it would offer fixed interest rate repos to the market for such a long period.

The move was acclaimed by economists as clearly deflating pressure from other countries - France in particular - to cut rates. For it sent enough of a trigger to the markets to allow the authorities to shave rates even though the Germans had left their main rates unchanged. As the bank tends to leave a differential of around 30-40 basis points between the discount and repo rates, yesterday's cut narrows this gap to only 25 basis points, making a cut in the discount rate more likely than a further cut in the repo rate.

Although France had not moved its own rates in response yesterday, this was largely because its next tender was not until Monday. Economists generally expected the higher yields such as Italy and Spain to be the last to move. Miss Alison Cottrell, currency analyst at Midland Global Markets, the securities house, greeted the bank's operations as "psychologically beneficial for all sides".

"This move will allow other 'core' Europeans to ease their own market - and in some cases - interest rates," she said.

The Dutch central bank cut its official interest rate by 25 basis points and its special advances rate by 20 basis points, citing falling interest rates and the strength of the guilder.

The Belgian central bank said it had cut all its leading interest rates in line with rate cuts in other European countries. It cut the central rate to 8 per cent from 8.30 per cent, the

under the General Agreement on Tariffs and Trade by the deadline.

Currencies had a quiet day despite the moves. There was a full weekend in the Budget on Tuesday and today's US non-farm payroll figures for December, on which the dollar's strength is expected to hinge. Mr Jim O'Neill, the chief currency strategist at Swiss Bank Corporation, said it was a classic December week. "Virtually all the data has been supportive of the dollar but the currency has not done much more than creep higher over the last 48 hours," he said.

The big tussle on the currency markets was one of "domination" between the Swiss franc - which has benefited from strong evidence of the Swiss emergence from deep recession - and the dollar. The Swiss franc ended a touch stronger against the mark. In London, the dollar rose to DM1.725, after a previous close of DM1.715, and ended a little higher against the Swiss franc at Sfr1.466, after a previous Sfr1.460.

For after a short burst of strength following the European rate cuts, the dollar fell back to wait for the employment data. The market is expecting a jump of about 177,000 in the non-farm payrolls in November, the latest mounting evidence of a broad-based consumer-led recovery. A sharp increase in consumer spending in October was consistent with a double-digit increase in consumer confidence last month, and there are rising hopes for a 4 per cent - 5 per cent GDP number for the fourth quarter.

On the London money market, the Bank of England predicted a sizeable shortage of £2.65bn which it alleviated almost fully during the day's operations - with rounds of £250m, £150m, and £150m - taking its total help to £2.65bn. The escudo is unlikely to react to yesterday's government reshuffle, in which Mr Eduardo Cordero replaced Mr Jorge Braga de Macedo as finance minister. Dealers are attributing the stronger escudo to slack end of year activity in the foreign exchange market.

POUND SPOT FORWARD AGAINST THE POUND

Dec 2	Closing mid-point	Change on day	Day's high/low	One month	Three months	One year	Bank of England
Europe	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Austria	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Belgium	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Denmark	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
France	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Germany	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Greece	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Ireland	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Italy	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Luxembourg	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Netherlands	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Norway	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Portugal	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Spain	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Sweden	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Switzerland	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
UK	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
USA	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Japan	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
South Korea	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Taiwan	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Thailand	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Philippines	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Malaysia	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Singapore	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Indonesia	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Brunei	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Maldives	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Morocco	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Algeria	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Tunisia	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Libya	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Egypt	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Saudi Arabia	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Oman	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Yemen	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Uganda	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Rwanda	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Burundi	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Cote d'Ivoire	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Ghana	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Sierra Leone	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Liberia	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Senegal	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Mali	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Niger	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Chad	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Cameroon	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Congo	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Zaire	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Cote d'Ivoire	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Guinea	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Sierra Leone	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Liberia	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Senegal	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Mali	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Niger	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Chad	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Cameroon	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Congo	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6
Zaire	17.95	+0.005	17.95-18.00	18.00	17.95-18.00	17.95-18.00	114.6

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MONEY MARKET FUNDS

Money Market Trust Funds

Company	Assets	Yield	Rating
GAIF Money Management Ltd			
100 Parkway Park, Toronto, Ont.	17,522,770,114	5.75%	A
Canada Deposit Fund	1,318,118	5.75%	A
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Canada Deposit Fund			

INDICES

**For information on FINSTAT contact
Karen Bidmead on 071 873 4613**

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4 pm class December 2

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AMERICA

Dow eases ahead of employment figures

Wall Street

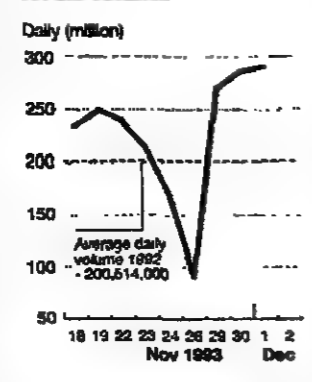
US share prices edged lower yesterday morning ahead of today's report on November employment, writes Frank McGarry in New York.

At 1 pm, the Dow Jones Industrial Average was down 2.79 to 3,694.25, while the more broadly based Standard & Poor's 500 was up 0.19 to 462.08. In the secondary markets, the American SE composite slipped 0.13 to 462.64, and the Nasdaq composite was off 0.24 to 788.57. Trading volume on the NYSE was 145m shares by 1 pm.

A batch of second-tier economic figures, which were generally in line with forecasts, set a positive tone for early trading. The Commerce Department said personal income rose 0.6 per cent from September to October on a seasonally adjusted basis, while personal consumption climbed 0.8 per cent. Initial claims for state unemployment benefit last week showed a modest decline. Conversely, sales of new homes in October dipped 6.5 per cent from the previous month, and the September figure was revised downward. However, the fresh economic data left little impression.

Instead, stocks responded to a downturn in the US Treasury market. By midday, the benchmark 30-year government issue was down 1/8 at 99 1/8 amid speculation that the Clinton administration may support an increase in short-term interest rates early next year if the economy improves.

NYSE volume



The next important readings on the economy's strength are due today, when the government issues November employment data and October's leading indicators. Both are expected to show moderate gains. With the release of November sales figures by the big

store groups, retailing stocks were among the most actively traded.

Among the losers was The Limited, which posted a 7 per cent decline in same-store sales. The stock plunged 3 1/2% to \$18 as its rating was lowered by at least two securities houses. Sears slipped 3% to \$54 1/2 even though it posted good sales figures.

Among the gainers were JC Penney, up 3/4% to \$64 1/2, and The Gap, 3/4% higher at \$40 1/2. Semiconductor issues were hit by concern over a slowdown in orders. Texas Instruments lost 1 1/2% to \$63 1/2, and National Semiconductor dropped 1 1/2% to \$15 1/2 in heavy trading.

Automotive stocks edged higher, led by General Motors, up 3/4% to \$63 1/2. Navistar International, the truck maker, dipped 3/4% to \$22, after posting net income of \$22m for its fourth quarter.

Canada

TORONTO stocks were relatively flat at midday after falling back from earlier gains in sluggish trading.

The TSE 300 composite index was up 2.43 at 4,231.12 at midday in volume of 37.9m shares worth C\$52.9m.

EUROPE

Frankfurt and Zurich set record highs

Germany and Switzerland were in record territory, writes Our Markets Staff.

FRANKFURT slipped back after the Bundesbank announced that it was not making a cut in the discount rate but, supported by other factors including the stronger dollar, ended the day at a record high.

The DAX index closed 20.65 higher at 2,110.53 after a high of 2,115.64 and a low of 2,104.05. Turnover was strong at DM11.5bn.

Mr Patrick Shields at NatWest Securities commented that the Bundesbank had signalled, by setting the repo rate at 6 per cent until January, that there would be no further move on interest rates until the new year.

In the market he noted activity in RWX, the shares adding DM11 to DM48.8, with some institutions taking positions ahead of the group's dividend payment next week.

The strength of the dollar helped Daimler make DM9.50 to DM743.50, together with rumours that Airbus might be

in the running to win a US contract.

The banking sector continued to make ground with Dresdner showing a 16 per cent increase in 10 month profits, the shares gaining DM1 to DM44.5, but Hypobank, which also announced good figures, slipped 30 pfennig to DM480.50. Commerzbank added DM2.50 to DM370.50.

ZURICH remained firm, although off its best levels, and the SMI index added 12.9 to a second consecutive record high of 2,787.2, with Wednesday's data continuing to provide support. CS Holding, the most expensive of the Swiss banks, shed SFr65 to SFr3,500 as it declined comment on market rumours that it planned to take a stake in Commerzbank. Analysts were divided over the logic of such a move: they were cautious about dismissing such a market rumour, but one commented that it would be a move away from the Swiss bank's core business. Elektrowatt, part of the CS

FT-SE Actuaries Share Indices

Dec. 2		THE EUROPEAN SERIES									
Monthly changes	Open	10.92	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00	19.00
FF-Eurobank 100	1373.05	1378.27	1378.79	1379.91	1373.13	1372.30	1373.40	1374.41	1374.41	1374.41	1374.41
FF-Eurobank 300	1459.77	1459.10	1467.80	1459.63	1459.00	1454.83	1459.35	1459.35	1459.35	1459.35	1459.35
		Dec. 1	Nov. 30	Nov. 29	Nov. 28	Nov. 27					
FF-Eurobank 100	1385.54	1343.12	1344.70	1346.05	1343.05	1343.05	1343.05	1343.05	1343.05	1343.05	1343.05
FF-Eurobank 200	1452.41	1420.82	1417.22	1417.22	1417.22	1417.22	1417.22	1417.22	1417.22	1417.22	1417.22
Data from 1980 to 1999: 1999: 10.92, 11.00, 12.00, 13.00, 14.00, 15.00, 16.00, 17.00, 18.00, 19.00, 20.00, 21.00, 22.00, 23.00, 24.00, 25.00, 26.00, 27.00, 28.00, 29.00, 30.00, 31.00, 32.00, 33.00, 34.00, 35.00, 36.00, 37.00, 38.00, 39.00, 40.00, 41.00, 42.00, 43.00, 44.00, 45.00, 46.00, 47.00, 48.00, 49.00, 50.00, 51.00, 52.00, 53.00, 54.00, 55.00, 56.00, 57.00, 58.00, 59.00, 60.00, 61.00, 62.00, 63.00, 64.00, 65.00, 66.00, 67.00, 68.00, 69.00, 70.00, 71.00, 72.00, 73.00, 74.00, 75.00, 76.00, 77.00, 78.00, 79.00, 80.00, 81.00, 82.00, 83.00, 84.00, 85.00, 86.00, 87.00, 88.00, 89.00, 90.00, 91.00, 92.00, 93.00, 94.00, 95.00, 96.00, 97.00, 98.00, 99.00, 100.00, 101.00, 102.00, 103.00, 104.00, 105.00, 106.00, 107.00, 108.00, 109.00, 110.00, 111.00, 112.00, 113.00, 114.00, 115.00, 116.00, 117.00, 118.00, 119.00, 120.00, 121.00, 122.00, 123.00, 124.00, 125.00, 126.00, 127.00, 128.00, 129.00, 130.00, 131.00, 132.00, 133.00, 134.00, 135.00, 136.00, 137.00, 138.00, 139.00, 140.00, 141.00, 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767.00, 768.00, 769.00, 770.00, 771.00, 772.00, 773.00, 774.00, 775.00, 776.00, 777.00, 778.00, 779.00, 780.00, 781.00, 782.00, 783.00, 784.00, 785.00, 786.00, 787.00, 788.00, 789.00, 790.00, 791.00, 792.00, 793.00, 794.00, 795.00, 796.00, 797.00, 798.00, 799.00, 800.00, 801.00, 802.00, 803.00, 804.00, 805.00, 806.00, 807.00, 808.00, 809.00, 810.00, 811.00, 812.00, 813.00, 814.00, 815.00, 816.00, 817.00, 818.00, 819.00, 820.00, 821.00, 822.00, 823.00, 824.00, 825.00, 826.00, 827.00, 828.00, 829.00, 830.00, 831.00, 832.00, 833.00, 834.00, 835.00, 836.00, 837.00, 838.00, 839.00, 840.00, 841.00, 842.00, 843.00, 844.00, 845.00, 846.00, 847.00, 848.00, 849.00, 850.00, 851.00, 852.00, 853.00, 854.00, 855.00, 856.00, 857.00, 858.00, 859.00, 860.00, 861.00, 862.00, 863.00, 864.00, 865.00, 866.00, 867.00, 868.00, 869.00, 870.00, 871.00, 872.00, 873.00, 874.00, 875.00, 876.00, 877.00, 878.00, 879.00, 880.00, 881.00, 882.00, 883.00, 884.00, 885.00, 886.00, 887.00, 888.00, 889.00, 890.00, 891.00, 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1348.00, 1349.00, 1350.00, 1351.00, 1352.00, 1353.00, 1354.00, 1355.00, 1356.00, 1357.00, 1358.00, 1359.00, 1360.00, 1361.00, 1362.00, 1363.00, 1364.00, 1365.00, 1366.00, 1367.00, 1368.00, 1369.00, 1370.00, 1371.00, 1372.00, 1373.00, 1374.00, 1375.00, 1376.00, 1377.00, 1378.00, 1379.00, 1380.00, 1381.00, 1382.00, 1383.00, 1384.00, 1385.00, 1386.00, 1387.00, 1388.00, 1389.00, 1390.00, 1391.00, 1392.00, 1393.00, 1394.00, 1395.00, 1396.00, 1397.00, 1398.00, 1399.00, 1400.00, 1401.00, 1402.00, 1403.00, 1404.00, 1405.00, 1406.00, 1407.00, 1408.00, 1409.00, 1410.00, 1411.00, 1412.											

JAPANESE INDUSTRY

Friday December 3 1993

Previous recessions were like a broken limb, and Japan quickly recovered. But this one is like a disorder of the circulation, which takes longer to cure. The government's medicine has not yet revitalised the patient's system. William Dawkins reports

Potential for growth is diminished

A salutary message has dawned on Japan's industrial companies as they face, in 1993, their fourth consecutive year of profits decline. The message is that this recession, the worst for 20 years, is wider and deeper than other downturns, for several reasons.

What used to be the two main growth sectors of Japan's industrial economy, cars and consumer electronics, are entering a probably longer-than-usual period of slow growth. Yet there is no obvious new growth industry to succeed them.

Secondly, this recession has exposed overcapacity that many leading companies suspected was there during the previous downturn in 1986, but which was then concealed by the rise in consumption and industrial investment at the end of the 1980s.

They already knew that Japanese-based manufacturing was being made uncompetitive by the yen's rise over the years. They had accordingly started to cut costs and shift production overseas, first to the UK and continental Europe and then to the fast-growing industrial economies of south-east Asia.

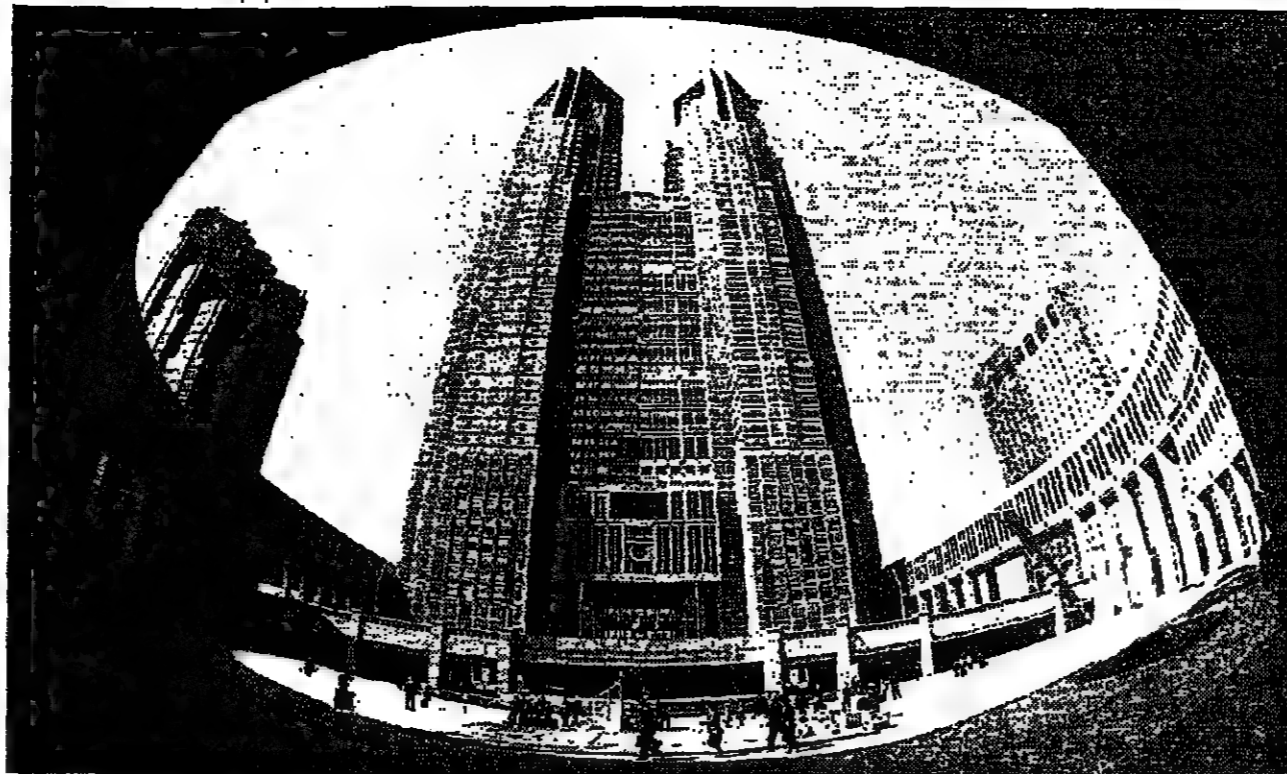
This year's unexpected fresh

surge in the yen suggests that industry might after all be only at the start of relocating production outside Japan, prompting fears of a so-called "hollowing out" of domestically-based industry.

How industry will respond to the shift in production and to the maturity of cars and electronics is the question now being discussed anxiously in Tokyo boardrooms. Companies used to look for guidance on big strategic issues like this to the Ministry of International Trade and Industry (MITI), the body which was mainly responsible for Japan's post-war success in spotting new growth industries to succeed the old.

But today, MITI has no clear answers to these new challenges. Its officials argue that centralised industrial planning is unsuitable for the open market economy which Japan has become, and that the best MITI can do is to help industries to reflect on the future. For the first time, the private sector may have to find its own way to the next phase of industrial development.

Finally, previous recessions, unlike this one, were triggered by external shocks, such as the 1973 oil price shock, or the rise



Tokyo: Japan's social contract of a job for life in return for complete loyalty to the company is being widely questioned

In the value of the yen, sparked by the 1985 Plaza accord to curb the appreciation of the dollar.

Yet this recession is only partly related to the yen's continued rise. It also has internal causes such as companies' unwillingness to invest - in contrast with their tendency to increase capacity in previous recessions, in the hope of better times around the corner.

This time, however, the better times are proving slower to emerge. Japan's economic growth rate has fallen back for nearly four years running. Industry will cut capital investment for the fourth consecutive year in 1994, according to a recent survey by the Long Term Credit Bank of Japan.

Most economists think that gross national product will stagnate or fall by a fraction of a percentage point this year - the first year-on-year fall since 1974 - after 1.5 per cent growth in 1992. Even the government's Economic Planning Agency, often criticised for being over-optimistic, has

abandoned its 3.3 per cent target for economic growth this year.

As one senior Japanese securities company executive puts it, previous recessions broke a limb, from which Japan quickly recovered, while this one is like a disorder of the circulation, which takes longer to cure. The government's medicine, including interest rate cuts, and about ¥30,000bn of pump-priming measures over the past 13 months, have not yet revitalised the patient's system. The one available measure not yet tried is an income tax cut, and that is likely early next year.

There were signs that the economy might pick up in the spring, but since then economists have steadily downgraded their forecasts as a stream of gloomy indicators have shown that spring was a false start. Industrial output is on the slide, down 5 per cent year-on-year in September, for the 24th month running, the longest decline on record.

One structural weakness

revealed by Japan's recession is the faltering supply of credit. Banks are still scarred by the collapse in asset prices that came with the start of the downturn, a problem highlighted when Muramoto Construction, a medium-sized contractor, sought protection from its creditors early last month with debts of ¥590bn, Japan's largest post-war financial collapse.

A sharp decline in loan growth which began three years ago shows no signs of easing. Officially, bad debts account for 3 per cent of the leading banks' loans, although the proportion rises to nearly 10 per cent if the more stringent US definition of what constitutes a bad loan is applied, says Ms Alicia Ogawa, investment analyst at Salomon Brothers Asia, the securities house.

Banks deny that they are being too cautious. There are clear signs that demand for credit is just as weak as supply, despite the Bank of Japan's decision to cut its off-

phase in September when NTT, the telecommunications group and a pillar of the industrial establishment, announced that it would shed 10,000 staff, through voluntary retirement, by next year.

This was significant because it reduced other companies' inhibitions about cutting jobs, still seen as socially unacceptable in Japan. In the weeks that followed, the Toshiba electronics group announced that it was to cut 5,000 jobs; Honda the carmaker 3,000; and Kawasaki Steel 3,200, to cite just some of the most prominent.

However, one taboo remains intact - Japanese companies' reluctance to impose straightforward redundancies. All the job losses announced so far by leading industrial companies will take place over a period of years and will be achieved through methods that appear painless by the standards of US or European competitors.

These include cutting down on recruitment, not replacing people who retire, or requiring surplus staff to move to other divisions or affiliate companies, some of which can be geographically remote.

This has enabled Japan to keep its unemployment rate low, at about 2.5 per cent. This does not include the estimated 800,000-1.2m employees who are surplus to companies' needs but are still kept on payrolls.

One consequence of Japanese industry's relatively gentle approach to job reductions has been to increase the pressure on salaries. Companies' determination to cut payroll costs is underlined by the present negotiations on bonuses, an important part of total salaries. The electronics industry has set the tone by cutting bonuses to the lowest level for 18 years, prompting uncharacteristic complaints from normally compliant unions. Car and steel industries are taking an equally tough line, likely to be continued when Japanese industry embarks on its annual wage round next spring.

All this has provoked widespread questioning - by both companies and employees - of Japan's social contract of a job for life in return for complete

IN THIS SURVEY

- Industry and politics: A complex pattern of relationships Page II
- Corporate finance: Battered banks get tough on lending Page III
- Deregulation: The drive has run into an intense back-room battle Page III
- Corporate earnings: The stronger yen has winners and losers Page IV
- Car industry: GM deal highlights challenges facing the industry Page IV
- Retailing: Consumers are being forced to go back to basics Page V
- Construction industry: A fresh approach to automation Page VI
- Editorial production: Phil Sanders

loyalty to the company. The car industry has already long experience of using temporary workers to increase flexibility and thus cut costs. But now an increasing number of big industrial groups, such as Sony and Toyota, are trying to employ a small proportion of people who are not expected to stay with the company all their lives.

The industrial consequence of surpluses in the workforce, the maturity of cars and electronics and the banking system's weakness, is to diminish Japan's growth potential.

For the past few decades, Japanese industry has always planned on the basis of fast growth - hence its former reputation of chasing turnover at the expense of profits. In the next few years it can expect economic growth of between 2.5 per cent and 3 per cent, roughly a percentage point less than in the 1980s, forecasts Mr Peter Tasker, chief strategist at securities house, Kleinwort Benson, in Tokyo.

All this indicates that Japanese industry is on the threshold of what will be a new experience for it: how to switch from the strategic offensive, to adjusting to a slow growth world.



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JAPANESE INDUSTRY II

■ INDUSTRY AND POLITICS

Complex pattern of relationships

When Mr Morihiro Hosokawa, Japan's prime minister, and his coalition took office this year, the party of industry, the Liberal Democratic party, lost power for the first time in four decades and politicians long cultivated by companies were sitting in the opposition benches for the first time.

The realignment has disoriented Japanese companies and prompted them to seek closer relations with the bureaucrats whose power Mr Hosokawa is attempting to limit through his deregulation drive. Meanwhile, companies are reassessing the worth of links to LDP politicians - traditionally seen as representing the construction or trucking industries as much as arguing the case of their local constituencies.

Within parliament, there are "tribes" of politicians representing the interests of various sectors, and these have been dominated by LDP politicians. An unfolding construction industry scandal has highlighted the close links in the provinces between construction and the LDP, and similar ties are maintained with national politicians.

Not only the construction industry had influence. The natural gas industry, through an economic organisation, bought advertisement space in LDP publications, including Y230m for six ads last financial year. But the end of LDP rule does not mean that Japanese companies have no influence over policy - because they also have close links to the bureaucrats, many of whom later join companies in the industry they have regulated.

When Mr Hosokawa announced deregulation plans, the leaders of industry associations welcomed his plans but, at the same time, companies represented by those associations were queuing for employment "adjustment subsidies" and industries were seeking bureaucratic help to cope with a deepening downturn. Deregulation is meant to

increase competition in Japan, but it would also mean a new relationship between the administrators and the administrators, which have seen the traditional links with the bureaucracy as both restraining and reassuring. These links are particularly

By selling equities, the companies are able to reduce their losses and increase profits at will

reassuring when industry's political influence has declined with the departure of the LDP. Weaker corporate links with the ministries, which tend to deal with companies as an industry group rather than individually, would provide more freedom for aggressive companies to break from the orderly hierarchy that charac-

terises some Japanese sectors and their courting of politicians.

Japan's leading steel companies all announced losses in the first half this year, each with an eye on the figures of Nippon Steel, the industry leader. By selling equities, the companies are able to reduce their losses and increase profits at will, ensuring that each keeps its acknowledged place in line.

The link between the regulators and the regulated is one thread in the complex pattern of relationships, but by tugging at that thread, Mr Hosokawa could change the shape of the whole in unexpected ways.

Some industries which have been particularly generous political sponsors - such as those in the transport and construction sectors - will find their influence on the wage if strict limits are imposed on

corporate donations.

Japanese politicians have found ways in the past to get around restrictions on donations, and are likely to find new routes in the future. But the hodgepodge nature of the present coalition and its uncertain life has increased the difficulty for companies attempting to target future leaders for cultivation.

For example, the orderly queue for ministerial posts and even the prime ministership provided a guide for companies and industries. In investigating the construction scandal, prosecutors found that companies had ranked politicians according to influence, beginning with A+ for the very powerful and down to D for those hardly worth taking out to dinner.

In finance, the coming of the Hosokawa government has not quickened liberalisation, which is conducted at a pace directed

by the bureaucracy. An official at one of the long-term credit banks allowed to establish a securities subsidiary earlier this year complained about the first list of restrictions introduced by the finance ministry, which was reacting to criticism from existing brokers that the

The shipbuilding industry emerged from recession with a half share of the world market

banks would undermine their industry.

The new subsidiaries are forbidden to share the same office as the parent bank, their staff must wear a uniform that is distinctively different from that of the bank staff, and their staff are unable to accompany bank staff on a client call. In effect, the bank official said,

many of the advantages of deregulation have been lost in the new regulations.

Banks are being allowed to enter new business in small groups, beginning with the long-term credit banks and ending with the commercial banks. Their access to new products is determined by the finance ministry, not by demand from customers, whose views are barely represented by politicians or bureaucrats.

Changing the regulations will not necessarily change the way Japanese companies are treated. Companies are wary of treading on ministerial toes, fearing that a licence for a new product or that recession-linked assistance could be delayed by the small group of bureaucrats responsible for approving these matters.

Japan's shipbuilders can testify to the power of the bureau-

cracy, as they were officially in recession until three years ago, following the downturn created by the yen's rise in the mid-1980s. As a result of technological improvements during that period, assisted by a range of government subsidies, the industry emerged from recession with a half share of the world market.

By the end of April this year, Japan's car companies and computer makers had joined a list of 138 sectors eligible for government assistance in "employment adjustment", covering the transfer of workers within companies, retraining and early retirement schemes. None of the companies wants this type of government intervention to end.

This message will be passed on by political colleagues to Mr Hosokawa, now attempting to clear a path through the regulations holding back growth. He will find that many Japanese companies are reluctant to sever a network of ties among the bureaucracy, other companies in the same sector, and politicians that has served them well.

Robert Thomson

■ FOREIGN TAKEOVERS AND INVESTMENTS

Concern mounts over moves to shift production overseas

The truth is that there is no work left any more," means Mr Masao Saito, head of the International Technical Business Association, which is helping a group of small and medium-sized Japanese companies from Gumma prefecture to set up operations together in an industrial park in China.

The decision by these small companies to combine forces and move to China reflects the desperate situation they face as their traditional customers, the larger Japanese manufacturers, transfer more of their production overseas.

The sharp rise of the yen since the beginning of the year has meant that hardly a day goes by without one Japanese company or another announcing a new investment or expansion of already existing facilities abroad, particularly in Asia.

In the mid to late 1980s the move by Japanese manufacturers to set up operations overseas was considered a political necessity. Words such as globalisation and local procurement became corporate mantras and Japanese foreign investment reached 87.5bn in fiscal 1988 alone, according to Ministry of Finance statistics.

Overall, recent Japanese investment overseas has tailed off since then as most of the companies that needed to have established a presence in key markets outside of Japan and as the plunge in asset prices and slowdown of the Japanese economy has dented corporate profits.

The level of investment overseas declined to \$34.1bn in the last fiscal year.

But with the yen's rise, overseas investment has once again become a necessity for the corporate survival of many manufacturing companies for economic rather than political reasons.

The moves to shift production overseas, coinciding this time with a recessionary environment and worries about rising unemployment at home, have raised concerns that Japan's industrial competitiveness will be undermined by the move of jobs and technologies overseas.

"If the yen continues at this level, we may have to move more production overseas," warns Mr Tetsuo Murase, executive vice-president of Matsushita, the consumer electronics company. But the company is considering its moves cautiously because of the need to maintain jobs at home, he notes.

Others, such as Aiwa, a medium-sized specialised audio company, have transferred the bulk of their manufacturing overseas in an attempt to survive the impact on its costs of the high yen.

The yen's rise is not just encouraging the shift of production to lower cost bases such as south-east Asia. The need to reduce costs substantially in order to maintain cost competitiveness has also led to increased purchases of components from cheaper

sources outside Japan. As the yen climbed from an exchange rate of ¥134 to the dollar at the beginning of the year to ¥115 to the dollar by April, imports of major electronic components and equipment from Asia, including China, have surged.

In the first six months of the year, the dollar value of imports of office machinery from China tripled from the same period in the previous year while that of electronic components more than doubled, according to statistics from the Ministry of Finance.

From member countries of the Association of South East Asian Nations (Asean), then, office machinery imports rose 80 per cent while that of electronic devices increased 27 per cent and the picture is similar for imports from the newly

industrialised countries.

Many Japanese computer makers have begun to procure some models in their PC line-up from lower cost sources overseas. Matsushita, for one, has set up a special unit to concentrate on procuring components from cheaper sources abroad.

These moves may help to maintain the competitiveness of the large manufacturers but the worry is that they are hurting the vast number of Japanese component makers which have been a crucial factor behind the country's industrial might.

As one Japanese manufacturer after another moves production overseas or looks outside of Japan for cheaper parts, Japan's small and medium-sized suppliers have been left behind to watch the indus-

trial landscape at home being transformed by the manufacturing exodus.

Some, such as the electronic components maker Sanritsu, which has seen a large proportion of its business evaporate with the decision by its parent company to procure parts from cheaper sources in Asia, are being forced to close factories. Even the more fortunate suppliers are being encouraged to diversify and reduce their traditional reliance on the parent company.

Nevertheless, despite growing signs of pressure on Japan's myriad suppliers, opinion is divided over whether the current trend will eventually lead to a hollowing out of Japanese industry.

The doomsayers who believe jobs and manufacturing technology are moving out of

Japan, point out that the need for large manufacturers to shift production overseas in order to remain competitive means that their suppliers must also either move out of Japan or face consolidation.

Against those concerns, the optimists say that investment overseas by Japanese companies has not risen so dramatically as to warrant concern.

They also argue that Japanese industry has been shifting to more value-added products to make up for the gradual loss of commodity manufacturing to overseas industries.

"Japan has a high level of technology and education, so I am not worried about hollowing out," says Mr Atsushi Kameno at the Ministry of Labour.

Japanese manufacturers - faced with the dilemma posed by, on the one hand, pressure to shift more production overseas and, on

the other, the need to maintain a strong manufacturing base at home - have generally kept to a policy of shifting low technology production overseas while gradually moving the emphasis of their businesses to higher value-added products.

They are also being forced, during the current squeeze on costs, to focus their energies and their R&D funds even more than before on areas which they have defined as key technologies.

Many electronics companies, for example, are increasing investments in liquid crystal displays and other key devices which are expected to see growing demand with advances in information technology.

If the current environment encourages such concentration on winning technologies it may help, rather than weaken, the ability of Japanese companies to come up with high value-added products to replace commodity manufacturing.

That in turn would help maintain Japan's industrial progress.

Michiyo Nakamoto

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JAPANESE INDUSTRY III

CORPORATE FINANCE

Battered banks get tough on lending

Gathered around a table at the Mikasa Chamber of Commerce, small business owners in a small town in northern Japan described the pains of recession. For them, the speculative era of the late 1980s meant a slight rise in sales, but the following downturn is leaving more obvious scars.

Sales in local stores have fallen, components makers are being squeezed by their larger customers, and banks are selective about new lending. An example of the banks' new toughness, a Mikasa company owner explained, was that they were wary of accepting low-priced local land as collateral and many companies did not have much else to offer.

But Mikasa companies also have little immediate desire to expand shops or factories because demand is in decline and there is no need for new capacity. The corporate reluctance to invest and the banks' increased emphasis on risk management - in the wake of a reckless lending during the speculative years - form a pattern seen throughout Japan. Larger companies, which

have more access to capital markets, soaked up the cheap money available during the late 1980s when new issues were easily digested on the Tokyo stock market. However, the cheapness of new finance led to a weakening of discipline, and investments in new plant or in diversification were made without enough concern for profitability, either on the part of the company or its banks.

One result of that investment binge is a continuing decline in return on equity for listed Japanese manufacturers, slipping from 8.3 per cent in 1989 to 3.1 per cent last year and an estimated 2.5 per cent or lower this year. The binge also left Japan's banks with a large pile of non-performing loans which they have only just begun to clear away.

At the end of March, the 11

Borrowing costs for small and large non-financial companies (%)

Year	Small	Large
1986	6.5	7.0
1987	5.7	5.9
1988	4.9	5.1
1989	4.8	4.8
1990	5.1	5.0
1991	7.1	5.9
1992	6.7	5.8
1993	5.4	5.0

Source: Ministry of Finance, Salomon Brothers

leading commercial banks announced an average 70 per cent increase in loan loss reserves for the year, and wrote off ¥72.8bn, an increase of 478 per cent on a year earlier, but a small share of their then official total of ¥8.435bn in problem loans.

Smaller banks, such as the Shinkin, on the lowest rung of

the banking ladder, are under pressure, partly from rash lending in the past but also because decline in regional areas has hurt their core customers. It is expected that the average fall in their first-half banking profits will be 30 per cent, while lending increased by a record low of 3 per cent.

The difficulty in estimating the bubble era damage, and in reading longer-term attitudes to fresh lending, is that the official problem loan figure does not include the lending of financial affiliates, used by banks for some of their more adventurous deals during the late 1980s. Banks also do not calculate the burden of loans to troubled clients on which interest rates have been delayed or shaved to almost zero as part of a restructuring package.

Bad loans are likely to be a

burden until late in the 1990s and, in the meantime, Japanese companies will have to deal with banks which are changing their lending policies. For example, a leading steelmaker said its main bank had traditionally charged the same interest rate for all companies in the group, but was now making a distinction, charging higher rates for group members thought to be exposed to the property downturn.

The head of a publishing company in Tokyo complained that banks were willing to assist larger customers, but had been unsympathetic in dealing with smaller companies. The Bank of Japan has concerns about financial institutions becoming too risk-averse and starving a recovery of funds, although the bank tends to blame weak demand

Net return on fixed investment for small and large non-financial companies (%)

Year	Small	Large
1986	9.0	6.9
1987	8.6	5.6
1988	11.4	8.0
1989	13.4	9.5
1990	11.5	9.1
1991	10.1	7.7
1992	7.2	5.3
1993	4.0	3.4

Source: Ministry of Finance, Salomon Brothers

for the unusually low loan growth this year.

Banks say they are more than willing to assist good quality customers but the evidence is that new customers courted during the late 1980s, when financial institutions expanded rapidly, are receiving less assistance than the banks'

traditional customers. Ms Tomoko Fujii, economist at Salomon Brothers, said smaller Japanese companies had sharply increased their borrowing this year from three public institutions - the Japan Development Bank, the People's Finance Corporation and the Small Business Finance Corporation - which received an increase in funds as part of the government's attempts to stimulate growth.

Growth in loans outstanding at the three institutions was 13.7 per cent in the year to July, compared to the meagre 4.2 per cent growth in the year to September 1991. These institutions, which provide concessional rates, are more favoured sources than commercial banks, slow to pass on the benefits of the fall in official interest rates in the past year. But Japan's leading life

assurers, attempting to increase lending to industry and reduce the share of securities in their portfolios, say the demand for loans has been less than they expected. The largest eight life companies are reported have experienced a 0.1 per cent fall in the ratio of outstanding loans to total assets in the year to end March.

For much of the past year, Japanese banks were helped by the strength of Tokyo stock prices, which increased their unrealised gains on securities holdings. But the recent weakness in the Nikkei average has made the banks more aware of their vulnerability and puts more pressure on their corporate customers, also dependent on their equity portfolio as a buffer against the bad times.

The change in the stock market's mood could prompt Japanese banks to be even tougher, further undermining corporate confidence. Economic recovery could hang on the balance between the demand for new loans and the willingness of Japan's bruised banks to meet that demand.

Robert Thomson

DEREGULATION

Intense backroom battle

Newcomers to Japan sometimes find it hard to understand why the country has such efficient manufacturing industries and yet such a primitive service sector.

This is precisely the problem that Mr Morihito Hosokawa, the new prime minister, is seeking to tackle with his potentially wide-ranging programme to scrap or review more than 10,000 regulations that control an estimated 40 per cent of Japanese industry.

If Mr Hosokawa has his way, he will remove many of the unnecessary costs of complying with bureaucratic rules that provide such a drag on Japanese competitiveness, as exposed by the yen's steep rise. The upshot could be to improve Japanese industry's growth potential at a time when important international car and consumer electronics markets are becoming mature.

Foreign companies also have a stake in this. If successful, Mr Hosokawa's deregulation drive could ease the way for imports, by streamlining complex certification procedures and removing a layer or two of the Byzantine distribution system that drives up costs to the benefits of border of middle men.

Estimates of the general economic impact vary widely. At the conservative end, the Japan Research Institute, a private body, believes the programme could unleash a ¥44,800bn rise in gross consumption, of which ¥32,900bn would be increased imports and the remaining ¥11,900bn would be supplied by domestic industry. At the optimistic end, one US economics expert believes that demand

could rise by ¥80,000bn, as a result.

But first, the new government has to overcome fierce entrenched opposition, which has ensured that previous attempts at cutting red tape by earlier governments have got nowhere. Traditionally protected industries such as distribution, rice and construction fear losing their privileges. Japan's powerful civil service, unsurprisingly, resents this attempt to reduce its bureaucratic influence.

That is why the deregulation drive has

The ministries produced 60 proposals, most of which had already been gathering dust for years

run into an intense backroom battle, as a result of which the first achievements are likely to be slight.

Perhaps it is just as well that initial progress will be slow, for US and European Union experience during the 1980s shows that deregulation tends to produce a short-term rise in unemployment, as inefficient businesses go bankrupt, before the reduction in costs works through to the economy at large. The last thing that Japan's economy needs in the middle of a

recession is a dose of deflation, points out Mr Tom Hibi, strategist at SG Warburg Securities in Tokyo.

Yet it is surprising that any progress has been possible, given the difficulty of obtaining agreement on anything in a seven-party coalition.

Just after taking office in early August, Mr Hosokawa asked government ministries to come up with a list of rules for the scrap heap. At the same time, he established a panel of 15 business leaders, economists and former officials, under Mr Gaisi Hiraiwa, chairman of the Keidanren business federation, to consider broader economic reforms centred on how to stimulate domestic demand.

A month later, the ministries produced 60 proposals, most of which had already been gathering dust for years or were likely to have little impact.

They included an easing of restrictions on the freight weight of trucks, an end to minimum production limits for brewers - which keep potential small producers out of the market - and fewer car roadworthiness inspections. The package also proposed a relaxation in regulations on new retail stores, although the details are vague.

Undeterred, Mr Hosokawa sent the ministries back to the drawing board, after

which they produced 34 more proposals, announced in mid-September at the same time as a ¥6,150bn economic pump-priming package.

The most radical new measure in the second round was to publish monthly lists of import cost prices for basic consumer goods, to exert moral pressure on high-priced retailers to trim profit margins and pass down some of the benefits of the yen's strength to customers.

The next stage, generally greeted as a disappointment, was last month's publication of the interim report of Mr Hiraiwa's panel.

The report, already once rewritten after Mr Hosokawa rejected a first draft as too vague, says there should be "no sanctuaries" from deregulation. It singles out as urgent examples for review 500 rules, including the rice import ban and the resale price system, which requires some products to be sold at producers' recommended prices.

It also calls for the establishment next April of a central body, under the prime minister's direct control, to carry out a five-year deregulation plan.

Mr Hiraiwa promises more concrete proposals in his final report, due on December 15. That will provide the most revealing indicator to date of whether or



Hosokawa: potentially wide-ranging programme

not the new government will do any better than previous ones at overcoming bureaucratic attempts to block deregulation.

The signs are, however, that this will get further than previous attempts at cutting red tape, such as the 1986 Maekawa report, named after its author, a former governor of the Bank of Japan. That proposed a shift away from export-led growth, the traditional engine of Japan's post-war economy, to domestic growth,

fueled by consumer demand. None of its proposals were acted on and it is the Hiraiwa panel's job to turn the Maekawa principles into concrete proposals for action.

Mr Hosokawa has in his favour support from the top business lobbies, which see deregulation as an important way to reduce costs - on distribution, for example - and to help reduce the yen's value and assuage trade tensions. Indeed, the Keidanren has criticised Mr Hosokawa for not going far enough and has persuaded the government to adopt some of its own deregulation ideas.

Added to this, Japan's political upheavals coincide with the arrival of a younger generation of men in national politics, keen to raise living standards and satisfy consumers' interests rather than pander to traditional vested interests.

A third force for deregulation comes from Japan's foreign trade partners. The US and the European Union are both increasing pressure on Japan to stimulate domestic demand as a way of cutting the trade surplus.

That is why all involved agree that Mr Hosokawa has started a process that, over years, will shake up Japan's industrial system.

"In the longer term, the direction set by these preliminary measures will impact the future shape of Japanese business, politics and ostensibly the social structure of the country," argues a paper by Mr Geoffrey Barker, chief economist at Barings Securities in Tokyo.

William Dawkins

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JAPANESE INDUSTRY IV

CORPORATE EARNINGS

Strong yen's winners and losers

Until now, many ordinary Japanese have taken pride in the rising value of the yen as a sign of national strength, even though it could only be appreciated when they travelled abroad, buying cheaper handbags in Paris and extra cans of Fortnum and Mason tea in London.

However, this perception has shifted drastically as the sharp rise in the yen this year has eroded corporate profits and accelerated an exodus of manufacturing from Japan, raising fears of job security and declines in workers' real income.

After fluctuating around the ¥125 to the dollar level during January this year, the yen rose to ¥105 in June, and has remained around that level ever since. The Japanese manufacturing sector's high reliance on exports is damaging the economy, due to lower sales and profits from the sharp rise in the yen. Benefits from the stronger yen have been small because of low import levels - and sluggish demand.

According to Nomura Research Institute, research arm of Nomura Securities, the higher yen caused losses of ¥45.2bn and profits of ¥3.3bn during the first quarter of 1993, while the second quarter saw losses of ¥925.3bn and profits of ¥350.8bn.

NRI estimates that if the yen rate remains at about ¥105 to the dollar in the second half of 1993, annual exchange losses incurred by exporters would total about ¥4,000bn, while importers are expected to make about ¥3,000bn in exchange gains for the full year, generating a net loss of ¥1,000bn.

Earnings by export-oriented industries, especially electronics, cars, textiles and shipping, have been hit. Beneficiaries of the higher yen have been limited to power utility companies and some oil refiners, which rely on fuel imports. Foods and paper and pulp companies also import materials, but lower demand due to the prolonged economic slump have overshadowed the gains.

Although the export ratio of consumer electronics companies has fallen sharply during the past six to seven years, the ratio remains high, averaging 41.5 per cent

last year. Companies in this sector which centre business on audio visual-related machines generated 60.1 per cent of their sales overseas. A ¥1 rise against the dollar is said to cause losses of ¥5bn at Sony and ¥2bn at Matsushita Electric Industrial.

Sony which posts 65 per cent of its sales

overseas, suffered a 53 per cent fall in parent pre-tax profits for the first half to September. Overall sales fell 11 per cent to ¥582.6bn as the yen's rise cost the company ¥74bn in sales.

The export ratio of six leading car-makers average around 61 per cent. According to Wako Research Institute, a rise of ¥1 against the dollar would cause a

10.6 per cent fall in pre-tax profits. Nissan Motor, which posted pre-tax losses for the first half, has warned that it will not make a profit for the full year to March. During the first half, the impact of the yen's rise amounted to ¥1,000bn. Some ¥500bn was absorbed through forward exchange deal-

increased competition, has led to sharp declines in yen-based profit margins.

According to brokers James Capel in Tokyo, during the six months to September, gross tonnage of approved new buildings increased by 6.5 per cent, but the total value of the orders declined by 18.9 per cent.

The high yen has cut into exports of the textile and chemicals sector while leading to increased import penetration. Inventories of polyester filament at textile makers have risen due to the increase in cheaper imports from south-east Asia and the fall in exports.

In the chemicals industry, net exports of resins were down by 31 per cent during the first six months of this year. On the other hand, Japan imported 3.8 times as much high-density polyethylene, accounting for almost 4 per cent of domestic demand, up 3 percentage points.

Meanwhile the higher yen lowered imported fuel and material costs for several industries. The gas companies saw a jump in interim profits thanks to a fall in fuel costs and a rise in demand for gas due to an unusually cold summer. However, gas and electric power companies have been ordered to pass on profits from the higher yen, and are expected to pass a total of ¥285bn to the consumer this year by lowering rates.

Tokyo Gas saw interim pre-tax profits surge 211.2 per cent to ¥14.4bn, thanks to higher demand and lower costs. The company saw fuel costs fall 3.8 per cent to ¥64.5bn on lower fuel prices and a higher yen. However, it forecasts a 2 per cent fall in full-year pre-tax profits to ¥35bn, due to the lowering of gas rates.

Although the higher yen reduced costs at electric power companies, a fall in demand amid the economic slump and the cold summer hurt profits. Tokyo Electric Power posted a decline in interim sales and profits for the first time in five years. Electricity rate cuts are expected to reduce the company's income by ¥36bn for the year to March next year.

Emiko Terazono

THE CAR INDUSTRY

GM deal highlights challenges

Last month, GM and Toyota, the world's largest and second-largest carmakers, signed a deal that highlights some of the big challenges facing the Japanese car industry.

The agreement calls for Toyota, Japan's largest carmaker, to sell 20,000 GM cars a year in Japan under the Toyota nameplate.

While the volume of GM cars Toyota has agreed to sell in Japan is minuscule, compared with the hundreds of thousands of cars Toyota sells in the US, it represents a significant victory for GM in opening up the Japanese car market to US competition.

The US carmaker not only won agreement from Toyota to open up its distribution network to sell a competitor's car, it even managed to set a target for average annual sales.

Whether they like it or not, Japanese carmakers are going to face greater competition than ever before from the US Big Three carmakers in their own market. And if the recent deal between Toyota and GM is any guide, the competition is likely to be dictated to a growing extent by political pressures that are not directly related to market competitiveness.

While GM and Toyota were negotiating their latest deal, US and Japanese government officials were bickering over a possible agreement to prize open the Japanese car and car

parts market to greater foreign penetration.

One of the most contentious issues in these talks has been the US insistence on setting quantitative indicators which would show progress in opening up the Japanese markets for cars and car parts.

Although the Japanese government has refused to agree to such targets in what it calls the interests of free trade, the agreement between GM and Toyota leaves an uneasy feeling that the US side has won a small but significant concession to its aims even though there has been no apparent official prodding of a deal between the two companies.

The threat of US carmakers to the Japanese in their own market is by no means critical. But the timing of their onslaught could not have been worse.

For the past few years, Japan's car industry has been suffering under the impact of a consumer reaction to the high-spending years of the late 1980s.

During those years consumers went on a buying binge that led to overoptimistic assumptions in the industry about demand for cars and the

necessary levels of production capacity.

Those assumptions in turn led to over-investment in facilities, a proliferation of models and options and bloated corporate structures. Nissan, for example, invested heavily in automation while Mazda built up an ambitious five-channel distribution strategy.

As the domestic slump has

The situation has forced carmakers to scale back their ambitions

persisted, it has become apparent that the expansion in domestic demand on which they had based their future strategies, is no longer there.

The situation has forced Japanese carmakers to scale back their ambitions, cutting deeply into capital expenditure and other costs and trimming their corporate structures.

A moderate consolidation has been taking place as the increasingly crowded Japanese market for passenger cars has begun to put pressure on the weaker players. Isuzu, for example, has decided to pull out of car manufacture and

rely on other makers to fill its product line-up. Companies such as Mazda and Honda have conceded that they can no longer expect to do everything themselves and, like Isuzu, are resorting to original equipment manufacture deals, to provide them with products they cannot justify developing on their own.

Meanwhile, the domestic market has continued its relentless slide, leading many carmakers to announce a downward revision of production plans. Nissan recently decided to extend the temporary closure of facilities for two more days in order to cut back on production as well as costs. Mazda has decided to introduce a temporary closure period that will affect production levels of all its models.

When they announced worsening business results for the half-year period to September last month, the carmakers remained cautious about the prospects for recovery in the near term.

Against this background of gloomy prospects at home, pressure on their overseas operations has been just as damaging. The yen's sharp appreciation against other

leading currencies this year has undermined profits in overseas markets as well as reducing their competitiveness against local manufacturers.

The plunge in demand for cars in Europe's main markets has upset their plans for expansion in that market. Nissan has had to advertise for applicants for a voluntary retirement scheme at its UK plant as market conditions in Europe have failed to improve. In the US, where the economic recovery has helped business improve somewhat, Japanese carmakers face growing competition from their US rivals which have begun to close the gap with them in manufacturing quality.

These changes which have created a business environment that is markedly differ-



Ready for export but European markets have not improved. Picture: Olycom

ent from the high growth days which Japanese carmakers had long grown accustomed to are forcing these companies to re-think their corporate strategies.

In the past, the aim of most Japanese carmakers was quite clearly to increase market share in key markets, and use that growth as the basis for the company's own expansion.

Toyota, Nissan and Honda have all introduced programmes aimed at getting better value out of their office workers. While Toyota aims to raise white collar efficiency by about 30 per cent, Nissan and Honda have introduced performance-related pay schemes.

Whether or not these initiatives pay off has yet to be seen. What is clear, however, is that the singleness of purpose - growth at all costs that served Japanese carmakers so well in the past, is looking increasingly inappropriate in the changed market environment.

For Japanese carmakers, the US Big Three to which they provided their own manufacturing know-how not so long ago, may not seem likely role models in shaping their future corporate strategies. But given the recently improved performance of the US carmakers, Toyota may yet have something to learn in its part as GM salesman.

Michio Nakamoto

ELECTRONICS AND TELECOMS

Eyes firmly set on the future

The past few years have been a period of corporate soul-searching for Japan's electronics companies.

Not only has the country's economic slowdown brought some of the world's largest and strongest electronic manufacturing companies a third year of falling profits, but the changes in the business environment have also, in many cases, derailed their plans for the future.

Consumer electronics makers have been weakened by a marked reversal in consumer sentiment. The lack of consumer interest is hurting their ability to promote the next generation of products they had been hoping would make up for the saturation of markets for their traditional profit earners, such as video tape recorders and CD players.

High definition TV sets, which many consumer electronics makers had hoped would take off as prices came down, have been a commercial flop in the face of a lack of programmes and a new-found penny-pinching trend among consumers.

New electronic gizmos, such as MiniDiscs - the miniature, recordable discs positioned as the latest-generation portable audio system - and digital compact cassettes, have not been the blockbusters they would need to be to make up for the fall in revenues from conventional audio-visual sales.

Mr Norio Ohga, president of Sony, points to strong demand for his company's navigation systems - which at more than ¥200,000 a piece are not exactly a bargain - to illustrate the point that consumers are still buying products they really want. However, as one company after another reports huge falls in profits, it is difficult to shake off the perception that consumer electronics makers have lost touch with their market.

In response to a question about the most crucial tasks facing Matsushita, Mr Motoki Matsuda, a director and member of the board, conceded recently that the company needed to go back to its roots of providing consumers with products that they wanted.

"The fact that our profitability is falling is a sign that we are not contributing enough to society," Mr Matsuda said. "We are losing our raison d'être."

Meanwhile, Japan's computer makers are also facing a turning point.

After years of growing profits sustained by a protected domestic market, Japanese PC makers are facing serious foreign competition in their home territory for the first time.

The spread of a bilingual operating system called DOS-V that was developed by IBM, and the arrival of Compaq and Dell on the scene, have shaken

the Japanese PC makers out of their cosy existence. This had allowed companies to cling on to a captive audience and carve up the domestic market among themselves by selling proprietary systems that were incompatible with each other and with any other systems outside of Japan.

The introduction of low-cost machines into Japan by US PC makers last autumn triggered a price war that damaged the profitability of high-cost Japanese makers and shattered the myth in Japan that computers were by necessity expensive products.

Handset manufacturers have also been hampered

One year later, most Japanese PC makers have joined the IBM camp and introduced IBM-compatible machines, opening the door to fundamental change in the Japanese PC market.

As the consumer electronics and computer industries look to the future for growth, they share a common problem - income from traditional profit earners is on the downturn.

At the same time, they have been hampered by a poor business environment in Japan from charging forth into what is expected to be the most promising new markets for the industries in future - portable communications and multimedia.

Historical and cultural circumstance, as well as bureaucratic regulation, have obstructed the development of conditions which are essential for the growth of those two markets.

For example, the market for mobile communications is still relatively small in Japan. Although Japan has the largest market after the US, with 1.7m subscribers, penetration is low with only one per cent of Japanese using mobile phones compared with 3 per cent in the UK.

The low penetration of mobile phones is attributed to circumstances such as the spread of public pay phones and the acute lack of airwaves in urban areas, as well as to obstructive regulatory moves by the authorities.

The high cost of subscribing to a mobile phone service, which is blamed for the slow penetration in Japan, is in part a result of the need to apply to the Post and Telecommunications Ministry for price reductions. So, while competition in the industry is severe, "prices do not fall according to market forces," says an official at DoCoMo, the mobile phones subsidiary of NTT.

Handset manufacturers in the electronics and consumer electronics industries have also

been hampered - by the market's slow growth and by bureaucratic meddling - in the development of their handset businesses.

So far, handset makers have not been allowed to be sold by the operators which buy their handsets from the manufacturers on an original equipment manufacture basis and sell them under their own brand. Next spring, when the sale of handsets is deregulated, competition among makers is expected to reduce prices and spur subscription to services.

Personal handypagers are another market that is expected to grow in future. But here again the regulatory grip of the Ministry of Posts and Telecommunications could have unfortunate consequences for the growth of the industry. The ministry is considering which companies to allow into the new market and could end up hampering competition as it did in the mobile phones market.

Meanwhile, in the area of multimedia, which is the convergence of computing power and telecommunications to bring a greater amount of information to more places more quickly, Japan lacks the advanced telecommunications infrastructure which is a pre-condition for the successful application of multimedia.

For one thing, cable TV, which is expected to be a big carrier of multimedia services,

such as video on demand and interactive TV, has not been very successful in Japan. Again, circumstances such as the wide availability of terrestrial programming in Japan and bureaucratic regulation are blamed for the slow growth of cable TV.

Japanese company executives also confess to a lack of ideas about how the new technologies could be used by consumers. While US companies dream up information superhighways and 100-channel programming, Japanese electronics makers wonder out loud what use all the extra communications ability might serve. "It is still not clear what multimedia is," says Mr Tsuzo Murase, executive vice-president of Matsushita.

What is clear, nevertheless, is that if and when the golden age of mobile communications and multimedia do come, Japanese electronics companies have their eyes firmly set on providing the hardware and key technologies that will be crucial to make those services a practical reality.

To that end they are pumping their resources into key technologies such as liquid crystal displays, long-lasting batteries and advanced memory chips, which will play a growing part in portable communications and, eventually, multimedia as well.

Michio Nakamoto

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مكتبة القرآن

JAPANESE INDUSTRY VI

■ PROFILE: YAMAZAKI MAZAK

Powerful competitive position

Japan's big machine tool producers - Yamazaki Mazak, Amada, Toyoda, Okuma, Hitachi Seiki - are rightly seen by European and US rivals as formidable worldwide competitors, but not even they have remained immune from the industry's global recession.

The Japanese industry is the largest in the world, accounting for about a quarter of total machine tool production worth \$34.6bn last year, according to statistics from *American Machinist*. But consumption of machine tools in Japan, which was also the world's largest market, fell 33 per cent to \$5.7bn last year, says the magazine.

Last month, the Japan Machine Tool Builders Association said orders received by the Japanese producers this year were likely to fall short of ¥800bn for the first time since 1983. Total orders last year were ¥710.2bn, down 37 per cent from 1991 and only just over half the ¥1,412.1bn achieved in the boom year of 1990.

And the recession is still continuing - machine tool orders in September were down 31.5 per cent from a year earlier at ¥42.3bn due to weak private sector demand amid continued economic stagnation, the association said.

Mr Teruyuki Yamazaki, chairman and president of privately-held Yamazaki Mazak, points out that in some respects, Japanese producers are suffering in the same way as their German counterparts. "For the machine tool industry in

Europe, volumes are about 50 per cent down, compared with the peak time (two to three years ago)," he says. "Japan has seen about the same fall."

Up to a point, there are similarities in the longer-term structural changes going on in both the German and Japanese domestic markets for machine tools. In Japan, one of the reasons for the rapid fall in demand for machine tools has been the excess capacity in the automotive and other industries built in the expectation that growth rates in domestic sales and exports would continue.

As in Germany, the high costs of domestic manufacturing are encouraging the machine tool industry's customers to move manufacturing, or at least the supply of components, overseas. Investments by the Japanese automotive industry in the US and the UK represent machine tool orders that might once have been domestic business but are now either export orders or supplied by Japanese or rival machine tool builders manufacturing elsewhere.

It is in the export business that Mr Yamazaki sees further similarities

between the Japanese industry's predicament and that of the German industry. "Japanese exporters are facing heavy competition in the European market because the yen is too strong," he says.

This is a disadvantage for Yamazaki in respect of the machines it exports from Japan, but Mr Yamazaki notes that German producers are facing similar problems exporting to countries with weak currencies.

Some might argue that the key difference between the two leading machine tool producing countries is that the Japanese have a much tighter grip on their home market where imports accounted for 10 per cent of consumption last year, compared with 36 per cent in Germany.

But while many believe that the present recession has seriously weakened the European machine tool industry's competitiveness vis-à-vis its Japanese rivals, Mr Yamazaki does not believe this is the case. "In Germany the machine tool industry has suffered, and so have we, so the competitive balance has not changed much." In spite of the global recession, the strong yen, and the more fundamental



Teruyuki Yamazaki: 'The yen is too strong'

changes in the Japanese market, though, Yamazaki Mazak is in a powerful position competitively, when compared not only with non-Japanese producers but also with domestic rivals.

With overseas manufacturing at Florence in Kentucky, Worcester in the UK, Les Ulis in France, and Singapore its production base is more international than is

the case generally in the machine tool industry.

The Worcester plant began producing machine tools in 1987 and was intended mainly as a manufacturing base for Europe. It was then considered that the investment would overshadow many more by Japanese producers in Europe - "We were a step ahead," says Mr Yamazaki.

That this has not happened is due partly to recent market conditions. But Mr Yamazaki believes it has also been much more difficult for the Japanese producers to invest in one European country than in the US, because of the many different cultures, markets, languages and tax systems in Europe. "Some of the Japanese wanted to invest in Europe, but they could not do it," he says.

The Worcester plant, along with other UK-based machine tool producers, has seen its home market hit by the recession - first in the UK and then in continental Europe. But lower costs and the recent devaluation of sterling mean that, according to Mr Yamazaki, "we have good competitiveness from our UK machines."

The company is now expanding exports

from the Worcester plant to markets outside Europe, and is also gradually increasing the number of machine tool types made there.

No one in the machine tool industry is predicting a return to the heady days of 1990, when sales were being buoyed by factors such as the "bubble economy" in Japan. But Mr Yamazaki is confident about the long-term need for machine tools, especially in Europe and the US. "If you look at European and US customers of the machine tool industry," he says, "you will see that many of their production facilities are older than those used in Japan. So these customers will have to make more investment in equipment."

He is also keeping a close eye on Asia, where cheap labour and booming markets have encouraged many traditional Yamazaki customers to begin manufacturing. Machine tool producers such as Yamazaki are following their customers into Asia, but also want to be there to take advantage of the region's overall market opportunities.

The company began producing machine tool parts in Singapore last year, and also has a technical co-operation agreement with a Chinese machine tool builder, Shenyang No 1 Machine Tool Works. This is not yet a joint venture, but Mr Yamazaki says the co-operation has good potential for further development.

Andrew Baxter

■ CONSTRUCTION INDUSTRY

Fresh approach to automation

Japan's general contractors have earned a lot of recognition in recent years with the development of construction site robots. These mechanical wonders can roam construction sites spraying fireproofing and finishing concrete floors. There is only one problem.

"They have not proven very cost effective," says Mr Yasuo Fujinami, deputy general manager for technology at Taisei Corporation.

Undaunted by a false start, the industry is taking a new approach to mechanising construction sites. Rather than automate individual tasks, the focus is now on systems that attempt to turn construction sites into factories for the assembly of prefabricated components. Rather than showcase the latest in robots, the systems are designed to optimise the mix of computer control, automation, mechanical innovations and plain old manual labour.

Shimizu's Smart System, for example, is now in use for the first time on a 20-story, 20,668 sq m office building in Nagoya. After completing the foundations, what will become the top floor and roof of the building were erected on top of four jacking towers. Suspended from this structure is a network of rail cranes and trolley hoists that can deliver a load to any point on the floor below. The hoists also travel on a vertical lift erected alongside the building to bring material from ground level.

A computer housed on the top floor controls all these hoists and cranes and can place steel beams and columns, precast floor sections, wall panels and other building components following programmed

instructions. As the building is erected, the four jacking towers push up the top floor and then lift their own bases from floor to floor.

Rather than rely on sensors for precise positioning, joints have ingeniously detailed slots and plates that mechanically guide beams and columns into final position. Once in place, clamps on the hoist cables release automatically. This all means that once a human rigger attaches the cables to a steel member at ground level, the system can erect it without further human help. In actual practice, however, a control room operator using video monitors and a spotter on the working level watch the hoists as they position their loads.

The closest thing to an actual robot is a welding machine, but even this is not fully automated. An operator must set it in place and start it manually. But then it uses sensors and programmed instructions to make the correct weld. Shimizu figures that one operator can tend two machines.

Yasuyoshi Miyatake, who led the development of the system for Shimizu, says the system allowed them to cut their erection crew from 20 to 13. With additional labour savings from prefabrication, they figure a 30 per cent reduction in the man hours needed to complete the building.



The industry is taking a new approach to mechanising construction sites

Picture: Ashby Advertiser

"Eventually, we think we can make that 50 per cent," Mr Miyatake says.

Virtually all of Japan's leading contractors have their own systems, either in their first use or under development. They all follow the same theme but have individual variations. In Taisei's T-Up system, the staging platform surrounds and hangs from the steel for the central core of the building. Two cranes on top of the platform erect the core steel while two cranes

suspended beneath the platform erect the surrounding steel. Taisei figures running four cranes simultaneously will allow them to cut the construction period of a 33-story 111,000 sq m office tower it is building in Yokohama from 30 to 24 months.

The increased productivity and shorter construction periods have not shown up on the bottom line. Shimizu and Taisei both say use of the systems did not result

in lower contract prices for owners. For one thing they have to recover their development costs. Shimizu figures the hardware alone, developed in co-operation with Mitsubishi Heavy Industries, cost ¥1,000m.

More importantly, the focus of the industry's automation efforts is not reducing costs but cutting labour requirements. Although less of a crisis with the current recession, the industry still faces a labour shortage, with young workers, especially, avoiding the construction trades.

The industry first attempted to counter this by automating hard or dangerous tasks. Mr Yukio Hasegawa, who heads a construction robot research programme at Waseda University, says the industry was naive, dreaming up robots far more sophisticated than anything developed for manufacturing. He says contractors and equipment makers have developed more than 100 types of construction robots. "But very few of them are actually used," he says. They have proven difficult to adapt to the variety of conditions on construction sites.

A similar challenge faces the new systems. So far, the systems have only been applied to buildings that are tall and relatively square in plan. To be practical, the gains from the increased productivity and speed have to offset the time and effort required to set the systems in place.

Mr Takanobu Kumano, a manager in Taisei's technology division, says the lower limit for their system is probably about 30 stories. This means that out of the hundreds of buildings the company takes on each year, there are only seven or eight that could use their system.

Despite present limitations, Roorbeeh Kangari, associate professor of civil engineering at Georgia Institute of Technology, believes the industry is now taking the right approach: looking at the overall process to see where mechanisation makes sense and where it doesn't. Mr Kangari spent a year in Japan studying Shimizu's mechanisation efforts.

Mr Takayoshi Sato, a general manager for Tokyo-based Futaba Quantity Surveying, says that rather than concentrating high-tech systems on a few projects, greater gains could come from spreading the use of standardised and prefabricated components throughout the industry. Mr Sato says the widespread use of such components in the US and Europe makes site labour there more productive, despite generally higher wage rates.

The contractors recognise the need to extend the systems to a wider range of buildings. Shimizu's Mr Miyatake says their next challenge is to apply the concept to low-rise offices. And in typical Japanese fashion, they are already improving system performance. After erecting a couple of floors of steel, they modified the control software, cutting from 400 seconds to 200 seconds the time it takes for a hoist to traverse the rail crane network.

Dennis Normile



In Perfect Balance

According to the ancient Chinese philosophy of yin and yang, the universe is composed of opposing but interdependent forces. ■ Interestingly, this philosophy resembles the concept of homeostasis, the natural balance that occurs within living organisms, including the harmony between antagonists and agonists that regulate vital functions. Thus, an important factor in the search for new medicines is developing compounds that work together with the body's own restorative and regenerative abilities. ■ To lead healthy lives, we must seek balance with nature, with society, and within ourselves. Through pharmaceutical research, we are striving to help people attain this balance.

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مكتبة الامير

RECRUITMENT

JOBS: Skilful interviewing still offers advantages that more scientific methods of assessment lack

The most sensitive selection tool

Please suppose - unless, of course, you happen to be one - that you are an expert recruitment interviewer. Suppose also that you are vetting two men for a selling job, first A then B, both shown to be suitable by well reputed tests of reasoning and personality, as well as by their claimed experience. In their interviews, they behave as follows:

A is impassive, rarely nodding in response to your questions and remarks. He also seems nervous, speaking mostly in a rather high-pitched voice, which occasionally slips into a lower tone that sounds more natural, and several times stumbling over words even though he speaks slowly.

B is more genial, frequently smiling, nodding and otherwise showing great interest in what you say, an impression that he strengthens by looking you straight in the eye. His own speech is relaxed and fluent, and he is adept at circumventing potential disagreements.

Being an expert interviewer, you know what each of them is probably up to. That much is clear from the research findings set out in the book *Successful Selection Interviewing*, whose

lead author is Neil Anderson of Nottingham University. The signs are that both candidates are falling short of total honesty, albeit in different ways.

A has the classic marks of the "deceiver", who is telling lies. B is probably just being economical with the truth. He has the mien of the "ingratiator" who seeks to make you like him, and so blind yourself to evidence of his faults. In both cases, your expertise enables you to confirm the signs as the interviews proceed. But the important question is what weight you should give to their different types of deviousness in deciding which one to appoint to the job.

While inexperienced interviewers would be likely to reject both, your professional reading has covered various studies that show that a tendency to be less than wholly honest is a boon in some occupations. Besides politics, they include selling - the type of job you need to fill.

Since that applies especially to the sort of deviousness used by B, the odds are that his ingratiating

behaviour is a plus. Moreover even the bald lying done by A in the interview doesn't necessarily make him a bad bet.

After all, he was depicted as suitable by the psychometric tests, and the well-reputed types of personality test include lie-detectors that research has proved to be highly effective. So the *prima facie* evidence is that A did not tell lies in his written answers to the test, but changed to distorting the truth only when talking with you face-to-face. And while that in itself is hardly a golden recommendation, it raises questions that you as an expert interviewer will want to explore.

For example, did you slip up professionally by doing something early in the meeting that made him decide to lie? If not, did anything happen between the test and your first seeing him that might have had the same effect... and so on?

All of which illustrates that when it comes to selecting people for jobs, interviewing offers a capability that is increasingly overlooked. As Dr Anderson

observes, in their enthusiasm for more modern methods such as psychometric tests, professional recruiters as well as researchers in the field now tend to look down on interviewing as being merely a less reliable method of essentially the same kind.

But while that may be so in the case of bad interviewing, it is not true of the skilful sort, which is a different sort of tool. Unlike tests that merely detect human oddity, good interviewers can tease out the reasons behind it. What's more, they can influence an outstanding candidate into joining their company instead of going to work somewhere else.

Now to the table alongside, which shows a few of the findings of Day Associates' latest survey of pay and perks in City of London banks. Carried out early last month, it is based on data from 124 employing outfits and includes 307 jobs, high to low. Anyone wanting the full report, priced at £220, should contact Joe Clark at Suite 2.31, Whitechapel Technology Centre, 75 White-

chapel Rd, London E1 1DU; tel (071) 375 1387, fax (071) 375 1723.

The table's first four columns of figures cover basic salaries. The lower quartile refers to the person a quarter way up from the foot of a ranking of all in the same type of job, the median to

the person midway, and the upper quartile to the one a quarter from the top. Then we have the average salary, followed by the percentage of it typically received as an added bonus.

Lastly comes something different. Whereas my previous

extracts from Day's surveys have given data on company cars, this time I've focused on the car allowances in growing vogue. Even so, the percentages in the upper part of the table are made to look unrealistically high by the fact that the survey samples for the best-paid posts, as well as for the personnel directors' job, are small.

Michael Dixon

SALARIES, BONUSES AND CAR ALLOWANCES IN CITY OF LONDON FINANCE

Position	Lower quartile £	Median salary £	Upper quartile £	Average salary £	Average bonus %	Car allowance % with £ a year	Average amount £
Corporate finance head	88,500	101,750	177,000	122,447	26.3	67	6,975
Capital markets head	95,797	117,800	148,700	121,319	83.5	40	6,930
Bond sales head	75,500	95,000	112,000	110,881	25.3	9	6,180
Fund management director	92,500	104,000	117,500	103,852	26.2	43	7,543
Eurobond trading head	75,500	100,000	127,500	101,050	33.6	22	5,802
Equity trading head	70,000	85,000	127,000	90,861	10.6	22	5,820
Private banking head	71,000	78,750	125,000	89,451	21.6	25	6,882
Head of research	70,000	89,000	92,500	82,671	24.5	43	5,828
Financial director	62,001	76,900	86,000	77,233	13.4	30	7,827
Chief fx dealer	68,340	73,300	82,400	75,047	32.2	19	5,094
Personnel director*	57,500	70,000	80,950	69,380	26.8	20	10,000
Legal services head	54,862	67,250	79,500	66,345	23.5	30	6,704
Money markets head	55,000	64,848	81,100	66,467	30.1	30	5,796
D-P director	52,725	56,175	65,000	59,336	11.4	20	6,079
Credit manager	37,000	40,000	45,000	41,265	11.4	17	5,571
Customer services head	23,900	30,933	37,002	30,956	8.1	12	5,186

*Only five in sample

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You will be responsible for promoting LIFFE's product range, especially sterling-based products and their various applications, and for maintaining links with the major user groups in the bond, money and derivatives markets.

You will also use your analytical and creative skills to formulate new market initiatives.

A graduate in your 30s, you should have a proven track record in a City-based organisation allied to a sound knowledge of interest-rate products and their markets. Capable of responding to the demands of a fast-moving international business environment, you will combine strong communication skills with the strategic thinking to identify new market opportunities.

This important and visible role offers good prospects for further career advancement. Starting salary will be backed by an attractive range of large-company benefits. Please apply with full cv, including details of present remuneration, to Helen Jenkins, Personnel Director, LIFFE, Cannon Bridge, London EC4R 8XQ.

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The London International Financial Futures and Options Exchange

A major international raw materials and metals trading organisation, with offices in North and South America, Europe, the CIS and Asia, has an immediate opening in our head office in New York for the position of Credit Manager. Candidates must have at least five years' experience in credit and risk management, in both the United States and the international markets, specifically as it relates to the ferrous and non-ferrous raw materials and metals industry. The Credit Manager will be given the opportunity to develop the credit department as the company continues to grow.

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A senior role with a brief to formulate strategy and spearhead business development

Fixed Income Sales into the Netherlands

Excellent salary + bonus + banking benefits - London-based

Nomura International is the European headquarters of one of the world's major investment banking groups. Recognised as a leading player in the Fixed Income sector we are now seeking a Senior Salesperson to develop our presence in the Netherlands.

This key role will involve the sale and distribution of diverse Fixed Income instruments to Dutch financial institutions and corporate pension funds. There will be an inherited client base on which to build, but the main thrust of the challenge will be the development and implementation of strategies for long-term new business growth.

To have the necessary knowledge, credibility and confidence for the role, you will need at least five years' experience, including a sound grasp of multi-currency products with the emphasis on structured assets and Eurobonds. A background in an international environment and a fluent

command of Dutch would be advantageous but not critical.

As an enthusiastic self-starter this is an opportunity to exploit your expertise, your talent as a strategist and your excellent interpersonal skills. Working as part of a successful team, with the opportunity to use your initiative, this position is a very attractive proposition with rewards to match. Regular travel to the Netherlands will be required and the remuneration potential will appeal to the highest calibre of achiever.

If you are interested in this opportunity please send your cv with a covering letter to: Alistair Lyon, Reply Handling Service, Ref: 02, Association in Advertising, 5 St Johns Lane, London EC1M 4BH.

NOMURA

As part of an ongoing marketing/business development initiative which has already resulted in unprecedented growth in trading volumes, this well established, medium sized International Banking Group, with 30 years' experience in the London market, now seeks to enhance its front office capability by the appointment of two key individuals.

RISK CONTROL OFFICER

£30,000-£35,000 BASE

Immediate responsibilities will be to co-ordinate the activities of 5 desks into one 'middle office' reporting function by the setting up and development of a risk control system. The prime function will be to analyse risk exposure, control limits/excess reports, develop the contemporary credit policies and monthly management/head office reporting. Graduate calibre candidates aged 28+, with 3 to 5 years' experience within a similar role from a Treasury Derivative environment, will be totally PC literate and have in-depth modelling skills.

JUNIOR DERIVATIVE TRADER

£25,000 BASE

As an integral part of a small specialist team, this role will actively develop hedging capabilities in support of the Treasury Derivative and Securities desks. Additional responsibilities will be to execute complex structured finance trades, research new developments/instruments (e.g. arbitrage business opportunities) and to work closely with the Risk Control Officer in risk monitoring and reporting to senior management. Career oriented graduate candidates aged 24-28, preferably with a numerate or statistical based degree, will have 1-2 years' proven training and/or experience within a similar trader or funding function.

These hirings are seen as pivotal in the continuing growth of the organisation and candidates can reasonably expect to contribute directly to that growth. Furthermore, first class communication and interpersonal skills are essential to enable the successful candidates to take full advantage of the continuing challenges that these roles will present.

For further information, please call Tony Leggett.

Firth Ross Martin
SELECTION

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Bell Court House - 11 Blomfield Street - London EC2M 7AY - Telephone 071-628 2441 - Fax 071-382 9417

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TD THE TORONTO-DOMINION BANK

Associate - Corporate Banking

The Toronto-Dominion Bank is a highly rated Canadian Bank with a well established presence in London and other major financial centres.

The Bank now seeks an Associate to join the Corporate Banking team. This post will support the Account Managers in marketing the full range of Corporate Banking and Treasury products to UK corporates. In addition, the position will be responsible for company financial analysis, credit reviews and deal support activities.

Ideally the successful candidate will be a highly

motivated, credit-trained, university graduate, with two to three years relevant banking experience, coupled with PC literacy and strong analytical and communication skills.

Toronto Dominion will provide an environment in which to build a rewarding career and applications are encouraged from candidates seeking to further develop their profile in the demanding world of corporate banking.

Salary will be dependent upon qualifications and experience and the total remuneration package will be highly competitive.

Interested candidates should submit a Curriculum Vitae to Niall Macnaughton at BBM Associates Ltd (Consultants in Recruitment) on 071-248 3653 or write, sending a detailed curriculum vitae to the address below. All applications will be treated in the strictest of confidence.

76, Waring Street, London EC4M 9BJ

BBM
ASSOCIATES

Tel: 071-248 3653 Fax: 071-248 2814

ABTRUST FUND MANAGERS LTD

EMERGING MARKETS FUND MANAGER

Abtrust Fund Managers Ltd is part of the Aberdeen Trust PLC group, a specialist fund management company with funds under management of over £1.5 billion.

Due to the increase of emerging markets funds under management, we are looking for a young, enthusiastic fund manager to join the emerging markets team in London, to assist in the management of unit trust and investment trust portfolios, with particular emphasis on Latin America.

Key requirements include:

- Sound analytical skills.
- At least 2 years' investment experience.
- Spanish/Portuguese fluency an advantage.
- Ability and willingness to travel to the region frequently.
- Strong written and oral presentation skills.
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Competitive package according to experience. Please write, enclosing a full CV and details of your current remuneration to:

Marion Hart, Personnel Manager
Aberdeen Trust PLC
10 Queen's Terrace, Aberdeen AB9 1JQ

Manager of Quantitative Research

BARRA is the leading provider of research and decision support tools for global investors. We are currently looking for a high calibre individual to manage our European research team.

The responsibilities of the team include the development and maintenance of sophisticated investment models, analysis and implementation of the latest econometric techniques and provision of consulting to the investment community.

Applicants for this position should have several years experience in a quantitative position, be educated to PhD level and have experience of managing people. Good communication skills are also required.

Candidates interested in this position should apply with a curriculum vitae to: Andrew Cauldwell, European Manager, BARRA International Ltd, 1 Whittington Avenue, London EC3V 1LE.

BARRA International Ltd.

• ASSISTANT CLIENT ACCOUNT MANAGER •

• ASSISTANT BUSINESS DEVELOPMENT MANAGER •

Due to continuing growth in its corporate client base, a major City based fund management house is seeking two high calibre candidates to fill these new positions. Candidates must be graduates with two to four years relevant experience with a fund management house or investment consultancy. In addition candidates must be self motivated, resourceful, enjoy working under pressure and demonstrate a high level of interpersonal skills. These positions offer competitive remuneration packages commensurate with experience. Career prospects are excellent.

Please contact Roger Manning specifying which position you wish to apply for.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TT Tel. 071-623 1266 Fax. 071-626 1242

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Nomura International is the European headquarters of one of the world's major investment banking groups.

The Corporate Finance Advisory team is undergoing rapid business development and wishes to expand with the recruitment of two Associates. The team is seeking dynamic graduates with two to four years' experience in corporate finance advisory which may include cross-border Mergers and Acquisitions, Strategic Alliances and Corporate Restructuring.

You should be highly numerate and computer literate, with spreadsheet and modelling skills. In addition you must have the ability to work with complex concepts across a broad range of transactions together with the credibility to work closely with senior management. Our clients are predominantly European but global in outlook, so extensive travel may be required.

Probably in your mid to late 20's and currently performing impressively in an investment bank, a consultancy or an accounting firm, you now have the opportunity to expand your skills and horizons in a high profile, successful team. One appointment will be at a more senior level (depending on depth of experience), but both offer exceptional scope for career advancement in this prestigious financial group.

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QUALIFICATIONS

- Marketing flair and ability to win confidence of high net worth clients. Excellent interpersonal skills. Self motivated and entrepreneurial.
- For Muscat position, candidates must have experience of investment and commercial acumen. Ideally aged 30-45.
- For Paris, candidates with financial services, business school or services backgrounds preferred. Probably aged 25-35. French not essential.

Please send full cv, stating salary. Ref M4778
NBS, 54 Jersey Street, London, SW1Y 6LX



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A major financial services concern wishes to recruit an experienced Commercial Loans Manager to lead their Commercial Mortgages Management Team and significantly influence the overall strategy of the department.

Managing a team, you will take responsibility for effectively controlling both human and financial resources, ensuring that all staff receive sufficient training and development to allow them to realise their full potential and achieve departmental objectives.

Particular emphasis will be placed on the management of performing loans and the control of commercial arrears. The implementation of initiatives designed to reduce the company's exposure and minimise losses will be a key responsibility. In addition, you will play a leading role in the overall management of the subsidiary company responsible for commercial and residential lending.

The successful applicant, ideally ACIB qualified, must have broad commercial lending experience preferably gained within a banking or similar environment in respect of medium loans across a wide range of commercial businesses.

In addition to a strong understanding of commercial property lending, you will possess a high level of strategic and business planning skills, be a good negotiator and an excellent communicator.

Interested candidates should forward a detailed cv including current salary details to Claire Rogers at the address below.

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The ideal candidate will be a qualified British solicitor or American lawyer with direct experience of working in the computer services environment.

If you have the skills and experience to match this brief and you would like to be a key member of the senior management team in a dynamic and successful company where commitment and drive are recognised and rewarded, please send your CV in complete confidence to

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The successful candidate will be able to demonstrate a proven record of ability in establishing a successful management consultancy, obtaining new business and possessing the right commercial skills. Remuneration, with profit related incentive scheme, by negotiation.

Applications with Curriculum Vitae to David Griffiths, Senior Partner, HW Consulting, Sterling House, 165-175 Farnham Road, Slough, Berkshire SL1 3JZ.

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IMRO - Investment Management Regulatory Organisation Limited - sets, monitors and enforces standards of investor protection for a diverse Membership, including fund managers, unit trust managers, pension fund managers, venture capital companies, banks and trustee companies.

We are responsible for assessing applications for Membership, monitoring and supervising the investment management activities of Members, conducting investigations and taking disciplinary action where necessary. We now require additional staff for these functions.

Candidates should have significant practical experience in, for example, one or more of the following: regulation; financial services investigations/auditing; unit trusts; derivatives and hedged funds; investment management; investment administration; compliance; and prosecution. All applicants must have an enquiring, analytical mind, a

high level of interpersonal and communication skills, and a commitment to investor protection.

We are likely to have further needs for staff in other functions, such as registration and regulation policy, and invite general applications from experienced candidates, including lawyers and accountants, who feel they can contribute to our aims and objectives.

A fully competitive remuneration package will be offered, including non-contributory pension and life assurance. There are excellent opportunities for further progression, based on performance.

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The marketing executive will initially be communicating with clients and consultants by letter and telephone. The organisation and preparation of presentation material will also be an important task. Within one year we would expect the incumbent to be making presentations on Newton's Pooled Fund business to clients and consultants.

The successful candidate is likely to be a graduate and have a genuine interest and flair for marketing. At least one year's experience of financial markets, preferably in the pension fund industry, is essential. Highly developed interpersonal and presentation skills and numeracy are also key requirements.

If you are interested in this appointment please apply with full curriculum vitae to: Colin D Campbell, Personnel Director, Newton Fund Managers Limited.

71 Queen Victoria Street, London EC4V 4DR.

MEMBER OF IMRO

Handwritten signature: *محمد الراجحي*

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Key responsibilities will include the following:

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- Structuring, negotiation and documentation of transactions to execution with market counterparties and customers
- Close liaison with other business divisions, external advisors and regulatory bodies

Ideally, candidates will possess at least one year's experience of derivatives/mainstream capital markets

ROBERT WALTERS ASSOCIATES

documentation gained within a major City firm or financial institution. Although desirable a formal legal qualification is not prerequisite, however it is essential that candidates can clearly demonstrate academic aptitude, sound commercial awareness, ambition and the interpersonal skills to succeed within a team orientated environment.

This assignment is being handled exclusively by Simon Rankey on behalf of Robert Walters Associates. For further information, in complete confidence, please contact him on 071-379 3333 (confidential fax 071-915 8714), or write to him at 25 Bedford Street, London WC2E 9HP.

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London SE1 9HL

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It is likely that you will have already gained experience working with an American Bank and may even have spent time working overseas. Educated to degree level, you will be an ambitious credit professional already having gained experience of managing other credit professionals. You should possess good influencing skills and will clearly need excellent presentation skills both verbal and written.

The role of Senior Credit Manager is responsible for the review and approval of credit proposals, the ongoing monitoring of the quality of the loan portfolio and maintaining awareness of credit related issues in the countries where AEB UK extends credit. The Senior Credit Manager will regularly meet with clients and the bank's relationship managers. In addition they will have responsibility for managing credit analysts who support the function.

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Candidates should send their CV to Mr J. Battersby, Head of Human Resources, American Express Bank, Europe, Middle East and Africa Region at the following address:
American Express Bank Ltd, 60 Buckingham Palace Road, London, SW1W 0RD

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NatWest Capital Markets is part of NatWest Markets, the corporate and investment banking arm of the National Westminster Bank group.

Please send your CV in confidence to:

Sarah Lee
Global Markets Recruitment Limited 2-9 Masons Avenue, London EC2V 5BT,
Tel: 071 600 4744, Fax: 071 600 4717

NATWEST MARKETS
Corporate & Investment Banking

LAWYER Capital Markets

IBJ International plc, the principal merchant banking arm of the Industrial Bank of Japan, established 1975 and acknowledged as a major force in the world capital markets, is characterised by its innovative approach and global commitment.

As part of our expansion programme, a rare opportunity has arisen for a Capital Markets Lawyer to join our legal team. Applications for this position are invited from lawyers with at least two years' experience in documenting capital markets products, including:

- bond issues
- issues under MTN Programmes
- derivatives
- structured finance transactions

The successful applicant is likely to currently be working in the Capital Markets area of a City law firm, or alternatively as part of a transaction management team of an international bank.

A competitive salary, including normal banking benefits, will be offered to the right candidate, together with excellent career prospects.

Please write with full CV and details of current remuneration to:
Sue Harwood, Personnel Department.

Closing date for applications: Friday, 10th December, 1993.

IBJ

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Becken House, One Friday Street, London EC1N 4AA

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Please reply in the strictest confidence to
Box B1928, Financial Times,
One Southwark Bridge, London SE1 9HL

C S ASSOCIATES

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Major Investment House seeks 2 industry experienced individuals to promote their range of services to their National Accounts & Southern IRAs respectively. The positions are primarily phone based with support 1 day per week spent in the field. It is essential that you are a graduate or equivalent and have sales experience in or for the Brokerage/IRA market. Excellent prospects & salary incl comm. & bonus

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Please send full cv to: c.s. associates, 20 Euston Road, London EC4N 3DF.
Tel: 071 823 4382, Fax: 071 929 5296

APPOINTMENTS WANTED

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Age 43, PhD, German

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EXECUTIVE ASSISTANT TO A MANAGING DIRECTOR/ENTREPRENEUR

Holds British and Canadian passports and U.S. Green card.
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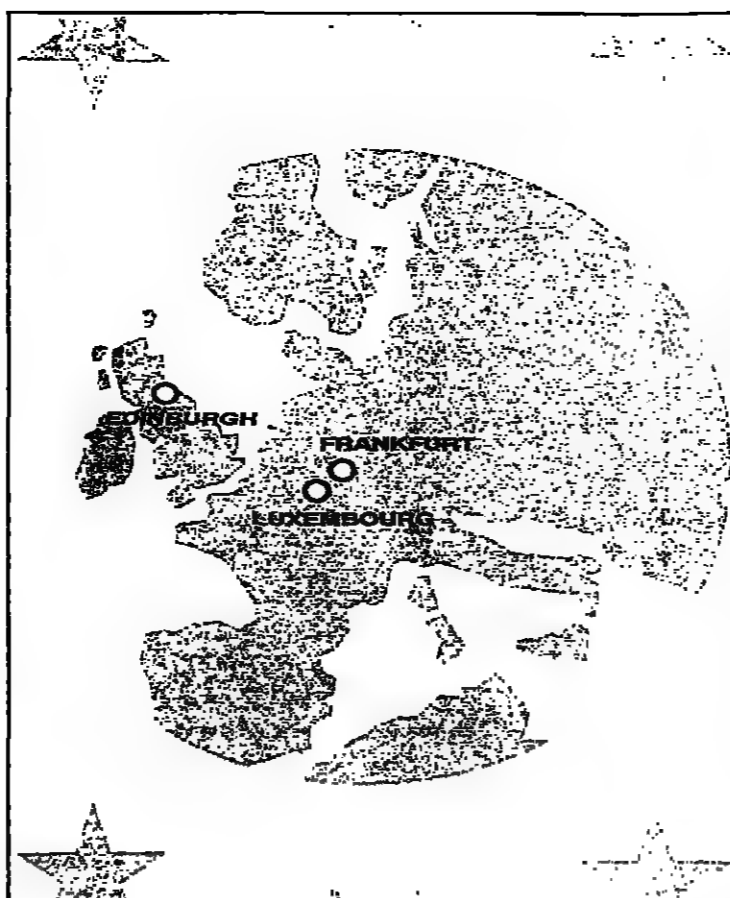
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ACCOUNTANCY COLUMN

Last call for smaller company annual audits

Andrew Jack on the opportunities and potential hazards of the government's proposed abolition

Britain's first unified budget this week may not have had much effect on beer drinkers or newspaper readers, but it will certainly make its impact on small companies and professional accountancy practices around the country.

Almost as an aside in the middle of his lengthy speech on Tuesday, Mr Kenneth Clarke, the chancellor of the exchequer, spared a thought for the drawbacks of the current statutory audit requirements.

After two previous failed attempts by government in the past few years to relax the rules for annual audits of limited liability companies, draft legislation could now be ready by as soon as next year.

This will lift the requirement for a full audit each year for an estimated 500,000 of the 1.1m limited liability companies across the country. All those with a turnover below £90,000 a year - some 300,000 - will be exempt; most with a turnover below £350,000 a year - a further 200,000 businesses - will be verified by a report by an independent accountant less exacting than an audit in future.

Interestingly, while most of the work on the small company audit has been conducted by officials at the Department of Trade and Industry, all the glory has been claimed by Treasury ministers.

It was Mr Norman Lamont, the previous chancellor, who first hinted at government sympathy for reform in his budget speech in March. It was his successor, Mr Clarke, who was given the task of announcing the decision - and who claimed he had been fully in support of the idea while at the DTI.

Mr Neil Hamilton, minister of corporate affairs at the DTI, was left with the more technical task of unravelling a consultative document this April - although the first indications that the DTI was again considering the issue came through his predecessor, Mr John Redwood, in February last year.

That stoked the fires at a wide range of lobbying groups, which began months of campaigning and preparation of briefs long before any official documents left the DTI headquarters to ask for their views.

It rapidly became clear that the mood had changed since previous attempts at reform. The usual candidates arguing for abolition at a higher level came forward, not least the small businesses organisations and much of the accountancy profession, including the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Management Accountants.

They said, as they had in the past, that the audit was costly, irrelevant and not best suited to the needs of smaller companies. What was the point of a supposedly independent audit conducted very often by the sole practitioner who had prepared the books and provided advice to the company?

Equally, why have the auditor reporting to the shareholders on the conduct of the directors when the two groups were very often the same?

By the time the DTI consultative document was issued, it was becoming difficult to find objectors to the principle of reform. It received an all but unprecedented number of 500

responses, nearly all in favour of reform.

For example, the British Bankers' Association had been swayed, in spite of concerns that its members wanted to be able to rely on audited accounts before approving loans.

Even the Chartered Association of Certified Accountants - which includes some 4,000 members auditing the smallest companies - began to

'The DTI must consider how to prevent fraud and to retain assurance that the figures are reliable, although abolition of the audit will still require unanimous shareholder approval'

backtrack. Mr David Bishop, last year's president, had sometimes had to speak through gritted teeth against his own personal views, to argue that the privilege of limited liability must be accompanied by the obligation of the audit.

That attitude had softened by the spring, although the association maintained its position that any deregulation should be accompanied by measures to make it easier for many thousands of companies trapped with limited liability for tax reasons to be able to disincorporate. No such measures were announced in the budget.

More significant were the silences. Officials at the Inland Revenue and

HM Customs and Excise were suddenly no longer murmuring about the reliability of unaudited accounts. They were under pressure from the deregulators that they did not place that much reliance in published accounts, and have powers of far wider access to financial information during tax inquiries.

That said, the details announced in the budget go considerably further than those recommended by the DTI in the spring. Its consultative document called for abolition of the audit for companies below the annual turnover threshold above which registration for value added tax which was just raised in the budget to £45,000.

The new limit for complete exemption is twice that level, and for the lesser requirement of a "compilation report" by an independent accountant is nearly eight times as high. It is likely that these figures will remain fixed, while the tax limits tend to rise year by year.

These higher levels caught many people by surprise, not least the Certified Association. It issued a statement warning: "Removal of the audit requirement will also remove accountability... [and] may give rise to concerns with regard to the public interest."

Even so, the association seems resigned to the changes. Mr John Moore, deputy president and a small practitioner based in Belfast, says: "If the Chancellor has made our bed we will lie on it and arrange the duvet to be as warm and comfortable as possible."

"I am certainly not concerned in terms of our own practice," he says.

"We are happy to be released from the time to do the statutory audit. It was a bit of a bind. This will leave clients with more funds to seek other accountancy services."

A lone campaign will continue against reform by the Institute of Credit Management. "We view these proposals with serious concern," says Kate Beddington-Brown, assistant to the director general. "They will probably prove counter-productive to smaller companies."

She says the institute's members are sceptical of the assurance that will be provided by the independent accountant's report, and are less likely to provide strong credit-ratings to unaudited accounts.

A number of details have still to be finalised. There has been considerable agonising in Whitehall over the nature of the independent accountant's report. If it is to remain reasonably rigorous, how far will it differ from the existing audit requirement?

The DTI must consider how to prevent fraud and to retain assurance that the figures are reliable, although - as it recommended - abolition of the audit will still require unanimous shareholder approval.

Equally, there are concerns also among practitioners about exactly what obligations they would be taking on by assuming this new role. Standards-setters may yet have to lay down precise guidelines.

But the DTI is committed to reform. It will introduce the reforms as secondary legislation, without the need for an act of parliament, which it says will be in place by the middle of next year.



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West Yorkshire

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Effective treasury management is often a key indicator to a successful organisation. And so it is with Yorkshire Electricity, where the Treasury function has played a critical part in the company's success.

Internal promotion has created an opportunity to join the team as Deputy to the Group Treasurer. Your role will be to manage the ongoing day to day functions of the section to ensure that agreed objectives are achieved. Key tasks will include development and implementation of risk control strategies, the effective management of liquidity and funding, and the analysis and creation of appropriate financial structures for new projects entered into by the Group.

You will be a graduate with a further qualification in treasury management and/or

accountancy and will be able to demonstrate significant experience in all areas of the function with a 'blue chip' plc. Maturity coupled with well developed communication skills and the ability to carry responsibility are the essential personal qualities. Familiarity with tax and insurance issues would be advantageous.

The attractive remuneration package will include an element of bonus and assistance with relocation expenses where appropriate. Opportunities for further career progression are excellent.

Please write - in confidence - enclosing full CV and details of current remuneration to Douglas Austin, MSL Group Ltd, Ebor Court, Westgate, Leeds LS1 4ND.

MSL International
CONSULTANTS IN SEARCH AND SELECTION

Finance Director

The North West

An acquisitive privately owned Group with assets exceeding £200 million, and forty operating companies in the Property and Leisure Sectors, wish to appoint a Finance Director based in Lancashire.

The organisation has grown dramatically in recent years and now requires an experienced Accountant to take responsibility for all accounting and banking matters and national Group Reporting procedures. There will also be active involvement in acquisitions and disposals.

Ideally an FCA in your late 40's or early 50's, you will have had extensive experience as Finance Director of a substantial, probably publicly quoted company, which has brought you into close contact with the City and Financial Institutions. You should also have experience of acquisitions and disposals.

This is a high profile and demanding role which requires a charismatic individual with highly developed management skills.

In addition to a salary commensurate with experience, the comprehensive benefits package includes Pension, Private Health Scheme and a fully expensed car. If you currently reside in the North West, or wish to return to a Northern base, please send your application to our Advisor - Ted Dickinson at:

CAVENDISH & MAINE
SEARCH & SELECTION

Premier House, 17 Union Street, Bristol BS1 2DJ. Tel: 0272 499942 Fax: 0272 497761

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appears in the UK edition

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and in the International edition every Friday

For further information

please call:

Gareth Jones

on

071-873 3199

To £100,000 package
+ benefits + share options

Expanding UK Plc

London

Group Financial Controller

Key role at the centre of a highly successful £800 million turnover manufacturing UK plc with substantial overseas operations and a market leader in many of its businesses. Currently integrating a significant acquisition, driving to increase efficiencies and improve margins. Committed to continued acquisitive and organic growth.

THE ROLE

- Reporting to and deputising for the Group FD with the prime task of enhancing the quality of management information to support Group decision-making. Responsibility for financial control and annual and monthly reporting procedures.
- Leading and motivating a young head office team. Creating a centre of excellence on group-wide technical accounting issues. Providing guidance and advice to the Divisional FDs.
- Active involvement in the acquisition programme in both due diligence and integration.

THE QUALIFICATIONS

- Ambitious and hard working 35 to 45 year old graduate, qualified accountant. Technically sharp with a progressive record in operational and head office roles, preferably in international manufacturing.
- Proven ability in multi-divisional environments, coping with GAAP and acquisition. Knowledge of overseas GAAP an advantage.
- Excellent communicator with open and flexible approach. Real opportunity within an exciting group for a self-motivated individual who can prioritise and instill financial disciplines and procedures.

London 071 973 8484
Manchester 061 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to:
Selector Europe, Ref: F00291234,
14 Gower Street, London WC2E 6BT

Financing and Collections Specialist

NW London

Having established itself as a dominant force in the rapidly changing graphic arts industry, our client is committed to an on-going program of research and development together with an aggressive sales and marketing strategy. Providing a comprehensive range of products and support services to customers on a global scale, the group turnover is in excess of \$500 million.

Expansion within the UK has created the need to appoint a commercially oriented Credit Manager. Reporting to the Collections Manager based in Europe, the successful candidate will play a pivotal role in the determination of credit policies, evaluation and credit rating of customers and subsequent credit control procedures. You will

c £35,000 + Benefits

also be instrumental in facilitating commercial transactions by negotiating customer financing from external institutions.

With a minimum of three to four years credit management experience, ideally gained within a multi-national environment, you must be able to demonstrate strength of character, an ability to respond positively under pressure and the drive and determination to develop this highly demanding role. If you possess the above qualities please send a comprehensive curriculum vitae together with details of your current remuneration package to:

Nigel Milford at Michael Page Finance,
Page House, 39-41 Parker Street, London,
WC2B 5LH. Please quote ref: 167381.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Financial Controller

Telford

£35,000 + Car + Bonus + Relocation

Our client is a world class manufacturer and a leading supplier to the automotive industry. The European Group is an important part of the Fortune 500 listed American parent. The company is totally dedicated to customer satisfaction and continuous improvement.

Reporting to the Group Controller, the brief will cover divisional operating reviews and all related reporting together with the development of systems accounting and computer based systems. The position is expected to assist with the management of assets and improvement of profit and as such the package carries a performance related bonus.

Candidates aged early/mid thirties, will be

qualified ACMA with experience gained in a world class manufacturing environment.

Applicants should be able to demonstrate sound understanding of product costing in a manufacturing plant within a medium/large group. Experience of JIT techniques will also be desirable.

The position will be of interest to anyone from the European Community who has excellent interpersonal skills and strong commercial acumen.

Interested candidates should forward a comprehensive curriculum vitae to Tony Gleeson BA, CA at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide



"AT A TIME OF RAPID GROWTH, WE SEEK INVESTMENT FUND ACCOUNTING PROFESSIONALS AT ALL LEVELS"

Attractive packages including banking benefits

Bournemouth

Chase Manhattan Bank, N.A., with approximately \$100 billion in assets, is a global financial services company accessing all the important world markets for its clients as they raise capital, invest, move and manage their financial assets.

At our impressive European operations and administration centre in Bournemouth, we have a well developed investment fund accounting and administration function which, in addition to statutory and compliance tasks, provides a broad range of regular reports and decision support information to an international client base.

At a time of rapid growth, we seek investment fund accounting professionals at all levels. Men and women who will contribute fully to our objective of developing the function itself, the account handling services it provides and the systems which support it.

For fund administrators and accountants, this means a varied workload involving all aspects of fund accounting together with the setting and monitoring of internal controls. For accounting managers, this will include

reviewing standards, liaising with clients and their auditors to define expectations and needs together with identifying and implementing staff training and development.

To meet the challenge, you will be a qualified accountant (ACA/ACCA) currently with a custodian bank, a fund manager, or in practice. Whilst all candidates will have experience of investment fund accounting, regulatory requirements and ideally a knowledge of unit trusts and pension funds, it will be the breadth and depth of this experience coupled with well developed management ability or obvious potential which determines the level of appointment.

The packages are negotiable, comprising salary and a range of benefits including car allowance (at senior level), mortgage subsidy, non-contributory pension and performance related bonus.

Send your CV with full current salary details to the HR Resourcing Manager, Chase Manhattan Bank, N.A., Chaseside, Bournemouth, BH7 7DB. Please quote ref. BNT on both your application and envelope.

Dory Form

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PRP

Finance Director

c £40,000 + Benefits

Prison Service

Jardine Matheson



Accountants

Outstanding Career Opportunities in the Far East

Founded in the 19th century, Jardine Matheson is one of the most respected names - not only in the Far East, but also worldwide. The Group has trading operations spanning some 30 territories, with over 140,000 employees and annual sales of US \$8 billion.

Their continued success means they are now seeking further ambitious young accountants to join their international management team. Depending on existing background and experience, successful candidates may commence at the Group's Head Office in Hong Kong or in a senior finance role within an operating unit. Only those candidates with the potential to progress within the Group will be considered.

This is an ideal opportunity for exceptional young accountants with commercial awareness and a desire to become actively involved in operational management in a dynamic and fast moving environment. Applicants should be Chartered Accountants, probably in their late twenties to early thirties

and ideally "Big Six" trained, with post qualification experience. Previous overseas experience would be an advantage, but is not a prerequisite. Knowledge of Chinese will also be particularly welcomed.

Depending on age and experience, initial remuneration package is likely to be in excess of £40,000 pa. In addition other benefits, including subsidised accommodation, will be provided.

If you have the requisite qualifications for a career with the Jardine Matheson Group, please send a full CV and a covering letter demonstrating your suitability for the role, quoting reference R/1414 to Heather Thomas at:

Executive Search & Selection
Price Waterhouse
Milton Gate
1 Moor Lane
London
EC2Y 9PB

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

GROUP
FINANCE
DIRECTOR

Central London

c £55,000 + Car + Benefits



Having clearly established itself as a market leader in the provision of specialist services to the Media and Television sector, this long-established and highly regarded business is now poised to further compound on its achievements to date by appointing an outstanding Finance Director to play a key role in the development and growth of the Group.

Specifically you will:

- Take full responsibility for all reporting, controls and systems providing creative and financial input to strategy and planning
- Redefine and implement management information systems enabling Group management to take timely and effective steps to improve performance
- Develop a strong finance and administration team capable of understanding and reacting to the ongoing needs of the business.

As a qualified accountant, aged 30-40, with an excellent academic background, you will demonstrate proven success at Finance Director level in an environment that has experienced a period of substantial growth. You will be numerate, task-orientated, highly motivated and possess outstanding communication skills and have the commercial flair necessary to work with a highly capable and entrepreneurial board.

Interested candidates should write promptly to Michael Herst or Charles Austin enclosing a full Curriculum Vitae, quoting reference MH449.

HARRISON WILLIS

SEARCH AND SELECTION PARTNERSHIP
39-40 Albemarle St., London W1X 3FD. Tel: 071-629 4463
LONDON • READING • GUILDFORD • ST ALBANS • BRISTOL • BIRMINGHAM

EMPLOYMENT OPPORTUNITIES IN FINANCIAL SERVICES

Our client is a highly profitable subsidiary of an international financial services group and a market leader in its own right. It is investing heavily in rebuilding its infrastructure to maintain its pre-eminent position. It now seeks to appoint two talented individuals to key positions offering excellent scope for career development.

MANAGER, FINANCIAL MODELLING

to £35,000 Home Counties South

Reporting to the Head of Asset & Liability Management, this individual will play an important role in the effective analysis of data to mitigate the various risks in the Group balance sheet. Using simulation software to quantify interest and exchange rate exposure and developing statistical models to measure and report other exposures, this Manager is expected to contribute to profitability in the organisation's core businesses.

The successful candidate will demonstrate a highly mathematical/analytical background, evidenced by a strong numerate degree. Practical experience of financial modelling is essential as is familiarity with software systems. Suitable candidates are likely to be qualified accountants, MBAs or ACTs.

For both positions excellent communication skills are required and the successful candidates will be encouraged to pursue further professional qualifications where appropriate. Usual financial services sector benefits are available.

For further information and a confidential discussion contact Geoff Hesson or Howard Foster on 071-387 5400 (evenings 071-381 0312 or 0727 855639) or write/fax you C.V. to Financial Selection Services, Drayton House, 30 Gordon Street, London WC1H 0AN, (fax: 071-388 0857).

TREASURY MANAGER, FUNDING

to £30,000 City

Using a range of money market instruments, the Treasury Manager, Funding will be responsible for raising the Group's daily funding requirements. The role calls for proactive analysis of funding needs and market opportunities to reduce both interest rate risks and the cost of funds. This is not a trading position and is an ideal opportunity for those seeking entry to a corporate treasury career.

The successful candidate will have a strong business management perspective and is likely to be a graduate of high calibre. Experience to date may have been gained within a Treasury environment or as an accountant with some knowledge of money market products derived within the financial services sector or with a Top 6 firm of accountants.



FINANCIAL SELECTION SERVICES

Bloomberg
FINANCIAL MARKETS

European Financial Controller

Bloomberg is a highly successful supplier of sophisticated screen based news, information and decision support services within the international financial markets. The company has enjoyed dramatic growth worldwide and has a substantial European operation based in London.

A new role has been created to ensure that the accounting and financial controls function develops in line with the growth of the business. The Financial Controller will have responsibility for all financial management issues within Europe including budgets and monthly forecasts. In addition there will be project work relating to all aspects of the company's operations.

Suitable candidates will be qualified accountants with experience of the services sector, preferably gained within the financial or IT markets. Ideally you will have worked within the European arm of an international business and will be comfortable in dynamic, high growth environments.

It is essential that all applicants have a "hands-on" approach and the motivation, initiative and commitment required to make an impact in a demanding yet stimulating organisation. Salary is negotiable according to experience.

Apply to The Freshman Consultancy quoting reference FT/B/FC.

FRESHMAN

The Freshman Consultancy, Coppergate House, 16 Bruns Street, London E1 7NJ
Telephone: 071-721 7361 Facsimile: 071-721 7362

PRP
EXECUTIVE SELECTIONFinance
Director

c £40,000 + Benefits

The Royal Albert Hall, which is a registered charity, has embarked on a £24m refurbishment programme, to be completed by the year 2000, which will confirm its status as one of the world's leading concert and entertainment venues. With the promotion of the current Finance Director to Deputy Chief Executive, an opportunity has arisen for an experienced qualified accountant to take responsibility for the finance function.

THE POSITION

- Provide accurate and timely monthly management accounts, annual financial reports, budgets, forecasts and long term plans.
- Maintain strong systems and cash controls and initiate value for money reviews.
- Lead the development and implementation of effective integrated management information systems.
- Contribute to the overall management and direction of the Hall, as a key member of the senior management team.

Interested candidates should write enclosing a full CV, quoting ref. 231 to:
PRP Executive Selection, Wimbledon Village
Business Centre, Thornton House,
Thornton Road, London SW19 4NG.
Telephone 081-544 1592.

THE REQUIREMENTS

- A qualified and commercially aware accountant, probably aged 35-45, with at least 10 years' relevant post-qualification experience.
- Senior financial management experience, probably gained in the arts, entertainment or leisure sectors.
- Strong planning, budgeting and communication skills and proven management ability.
- Experience of overseeing the successful development of new computer systems, ideally based on networked PCs.

Philip Rice
PARTNERSHIP

PROJECT
ACCOUNTANTS

We have a number of positions available for qualified or part qualified accountants with experience of major international Oil and Gas Projects.

We have an urgent requirement for the following people:

Senior Qualified Auditors/Internal Control, London area based.

Qualified Accountants for Russia based. Must be bi-lingual, accountants experience/exposure and computer knowledge. Knowledge of JDEdwards system should be a bonus.

For the Russian positions there is a strong preference for Russian speakers.

Please send your CV, stating availability & salary required as soon as possible.

RUST RESOURCES LTD
Kewley House, Kewley Road,
Croydon, Surrey CRO 1TE
Telefax No: 081-649 8891

Prison Service Strategic Planning Unit

We are looking for two people to be part of a small team, based in our modern London offices, which will help develop strategic plans for the Prison Service establishments and from it help devise strategic plans for the Prison Service estate. The positions require people who will bring to the team skills and experience, in post one, in accountancy and, in post two in economics and business. You will also need visible powers of analysis, and computer literacy.

You will be accountable to the head of the Strategic Planning Unit within the Directorate of Custody in Prison Service Headquarters.

The appointments will be for a fixed period of two years (with the possibility of permanency).

Both starting salaries will be between £28,657 - £29,774 which includes an Inner London Weighting allowance.

SENIOR
ACCOUNTANT

Ideally you will have experience of working in the private sector. You should be qualified to be a member of one of the professional institutes of accountants.

BUSINESS ANALYST

Ideally you will have had experience of work outside an academic setting as an economist and you must have a proven track record of working on capacity planning or a related subject.

We are looking for a relevant academic qualification of at least degree level.

For further details on either post and an application form (to be returned by + 14 days) please telephone Carol Codjoe at Prison Service Headquarters on 071-217 6295. (An answering machine operates outside office hours on 071-217 6357).

The Prison Service is an equal opportunities employer.



Financial Accountant

Challenging opportunity at the centre of private group of companies offering print purchasing and consultancy services to publishers on an international basis. Annual turnover c. £20 million.

The position:

- Full responsibility for all financial management, reporting to managing director
- Key tasks: to upgrade budgeting, accounting and reporting systems, to expand, develop and replace as necessary existing financial control systems; to provide strategic and commercial input to help guide the group through next period of growth
- Eligible for board position within two years

Qualifications:

- Graduate or graduate level: full professional accounting qualifications plus both professional and commercial experience. Age 29-36
- Fully DOS/Windows PC computer literate
- Experience of international trading and foreign currency management
- Communication skills, plus stature and authority to take senior position in the company
- Energy and application to detail, combined with high standards of integrity. Sense of humour essential

Remuneration package c. £30,000

Apply in writing with full cv to

Kate Lentil
Imago Publishing Ltd
Station Yard
Thame, Oxon
OX9 3UH

NIGEL SHOPKINS
FINANCIAL & TREASURY SELECTION

FINANCIAL ANALYST

Key appointment in major blue chip multi-national

BASINGSTOKE

c. £40,000
+ Executive car
+ Bonus
+ Benefits

Recognised as the world's most prestigious name in their specialist field, this major blue chip multi-national has a turnover in excess of £500m. A highly acquisitive nature combined with business interests throughout the world has resulted in unbroken growth and profitability. The need now exists to appoint an exceptional Qualified Accountant to join their senior management team.

Reporting to a Divisional Finance Director, your brief will include analysis for a major business unit in Germany. In addition, you will be closely involved in competitor analysis, strategic/business reviews, detailed acquisition reports and have responsibility for several key process improvement programmes. Applicants must therefore meet the following criteria:

- Aged c.35 with at least three years commercial experience
- Fluency in English and German
- Ability to travel up to 10% of your time.
- Outstanding intellectual and communication abilities

This represents a unique opportunity for an exceptional business minded accountant with broad based commercial experience, to significantly impact within a dynamic and highly respected organisation. Naturally, long-term career prospects will be exceptional for candidates who demonstrate outstanding ability in this role.

Interested candidates should write immediately in confidence to Andrew Livesey, quoting reference number 1930 at Nicholson International Search and Selection Consultants, Altra House, 64-78 Kingsway, London WC2B 6AH. Alternatively fax your details on 071 404 5501 or telephone 071 404 5501 for an initial discussion.

NICHOLSON
INTERNATIONAL
UK

France Italy Holland Spain Germany Belgium Turkey Poland Czech Republic

Financial Controller Design Consultants, London

£30,000 + Package

Leading London Design Consultancy with a blue chip European client list, is looking for a young, fully qualified Financial Controller.

Extensive experience in PC based financial modelling and a thorough knowledge of accounting software are essential. A background in professional practice or design or media fields would be preferable.

A hands on enthusiasm in producing weekly budget information and monthly management accounts is essential, as is an ability to translate the results for management action.

The potential for career development will be considerable. In the first instance, please write to Box B1927, Financial Times, 1 Southwark Bridge, London SE1 9HL.

STRATEGY & ACQUISITIONS £30-40,000 + Car London

Our client is a leading international industrial group with a strong reputation in the City and an exceptional performance record over the past few years. They are now looking for a top quality ACA or MBA, 25-30 years, to join their HQ Strategy Team. You will be responsible for examining potential acquisitions, competitor and market analysis and be expected to explore new business areas compatible with the Board's objectives. Candidates speaking French, German, Italian or Spanish would be of particular interest.

Contact Nicola Lewis.

PLANNING & ANALYSIS £27-35,000 + Car London

Our client is a highly successful consumer led business with a strong representation in UK and Overseas markets. They are keen to appoint a qualified ACA, MBA or ACA as a Financial Analyst. Working with Marketing Managers, responsibilities include performance review, profitability studies, capital expenditure appraisal as well as providing planning information on many aspects of the business. A role for a strong commercially orientated analyst who has the ability to progress within the organisation.

Contact Suzanne Swycher.

OPPORTUNITIES IN BANKING DM 120-200,000 Frankfurt

Our client, a leading US Securities House with a strong growing presence in the German Market, is keen to appoint a Finance Manager. Assessing the performance of products, you will be responsible for providing accounting and analytical support to traders dealing in equities, equity derivatives, warrants and fixed incomes. The successful candidate will possess drive, strong communication skills and be able to operate effectively in a fast changing environment. Knowledge of German is an advantage, not essential.

Contact Mark Stewart.

CORPORATE FINANCE c.£28-33,000 + Migs + Bonus + Car City

Our client is one of the leading investment Banks with its HQ in London and offices in Frankfurt and Madrid. They seek a qualified ACA or MBA, 24-29 years, to join their International Corporate Finance Department. You will gain full exposure to cross-border transactions and be expected to make an immediate contribution to the success of a full variety of deals. Excellent academic, a strong personality and a commercial approach are prerequisites. A knowledge of German and Spanish is useful although not essential.

Contact Howard Foster.

For further information please contact John Bowman on 071-387 5400 (evenings on 0474 874473) or write to him at Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN. Fax: 071-388 0857.

Internal Audit -Advanced Level

Avnet, Inc., a major multinational electronics distributor headquartered in New York, has recently acquired several European operations. Accordingly, we need a highly motivated, experienced Auditor to develop an internal audit function. The candidate will be situated in our European headquarters in Letchworth, England, and will report directly to the Corporate Audit Director in the U.S.

The ideal candidate should be a chartered accountant possessing a university degree with the following background:

- a minimum of 6 years auditing experience combining both financial and operational type reviews preferably in both the public and private sectors.
- fluency in English plus proficiency in a second European language, preferably French or German.
- broad exposure to general business practices and operating routines.
- personal computer skills.

Salary is commensurate with experience. If you're interested in advancing your professional objectives in a fast track dynamic company, please send your curriculum vitae with salary history in confidence to:



AVNET, INC.
Internal Audit Recruitment
c/o Arthur Andersen
One Surrey Street
London, England WC2R 2PS

To maintain the confidentiality of the recruitment process, all responses will be forwarded, unopened, to the Director of Internal Audit in the United States. Interviews will be conducted in London.

DIRECTOR OF FINANCE

up to £45,000 plus car (London Bridge)

Stonham Housing Association is the leading not-for-profit provider of housing with care and support in England. We housed more than 5,000 people with a range of special needs in the past year. These included young homeless people and those leaving care, people with mental health problems and learning disabilities, offenders, and people with drug or alcohol dependency.

The Association needs to earn £33 million per annum to cover its expenditure, in an increasingly competitive environment. This can only be achieved through selling our services effectively and tight financial control.

Your challenge is to help maximise the income generating potential and to support these services with the right financial policies and high calibre financial management. You will be a member of the Senior Management Team.

We are looking for a candidate experienced in creating and implementing financial strategies, managing senior accounting and administrative staff, knowledgeable on IT applications, a financial manager and a good communicator. Typically your recent experience will be in a senior management position within a substantial and complex organisation.

If you want an informal discussion on the position, telephone John Palmer, Stonham's Chief Executive, on 071-403 3144 or David Joseph, HACAS consultant, on 071-309 8491.

For further details contact HACAS Ltd, 100, White Horse, North Road, London N7 9DP. Tel: 071-403 8491. Fax: 071-708 7692. Closing date for receipt of completed application form: Tuesday 1 January 1994.



The Royal Surrey County & St Luke's Hospitals Guildford

Finance Director

c.£45,000 + benefits

This established first wave Trust provides high quality acute services to 250,000 residents in South Surrey, as well as regional services, including radiotherapy and oncology to the South West Thames Region. The Trust wishes to develop a major regional trauma centre in the coming years and opportunities for the Trust may also arise from the Tomlinson review of hospital services in London.

The Trust has an annual turnover of £50m pa and around 1,500 full-time equivalent employees.

As a member of the Trust Board, you will play a major role in the Trust's strategic development in a highly competitive market. A qualified accountant, with a further business qualification, you will have particular responsibility for supervising the implementation of a comprehensive range of financial policies, including budgetary and financial control and enhanced management reports. As well as having responsibility for the Trust's business planning process and information services, there will also be a major involvement in the negotiation of service contracts with purchasers.

You should have at least five years' experience of managing finances at a corporate level in a large NHS organisation, or in an external equivalent with a complex cash-flow process. Experience of external financing and of developing business plans is also essential.

An information package is available from Tony Vickers, Personnel & Communications Director, The Royal Surrey County Hospital, Egerton Road, Guildford, Surrey GU2 5XX. Tel no. (0483) 571122 ext 4514. Application is by full CV by 24 December 1993.

Committed to Equal Opportunities

The Top Opportunities

Section

For senior management positions. For information please contact: Clare Peasnell 071 873 4027

Finance Manager

Packaging Industry

East Midlands c.£40,000, Excellent Benefits, Car, Bonus

One of the world's largest packaging groups offers this exciting opportunity to join a strategically important division in this newly created role arising from the merger of two autonomous businesses into one.

You will be a key member of a management team committed to the success and continuing growth of this multi-sited operation, based at its UK head office in the East Midlands. Your role will be to maintain strong financial controls within their various businesses to ensure timely financial reporting and improve business performance. The initial task will be to merge the two finance and administration functions into one to maximise synergies whilst retaining the best elements from each. They already benefit from having common information systems with one central DP department and similar reporting structures.

You will be a qualified accountant, preferably with a degree, and having a proven background at a senior level within a manufacturing environment. Above all, you will be a hands-on manager, able to focus on practical solutions. Excellent interpersonal skills, good analytical awareness, together with computer literacy and the ability to comfortably use a PC for financial modelling etc are key requirements.

This is a challenging role which can offer the right individual a unique career opportunity within one of the world's most successful groups.

Interested candidates should forward a detailed cv. to: Jack Jenkins, Hoggett Bowers, 6th Floor, 85/89 Colmore Row, Birmingham B3 2BB, 021 212 0088, Fax: 021 236 9351, quoting Ref: HJ/3036/FT.

Hoggett Bowers
EXECUTIVE SEARCH AND SELECTION



Management Accountant

c£24k + Car

Nr Heathrow

Penguin Books is a wholly owned subsidiary of Pearson plc and is firmly established as a leading publisher of hardback and paperback books. The management accounts section is based at our offices near Heathrow and takes responsibility for the Group worldwide (excluding North America). The turnover of the division is £125m.

We are looking for a committed team player to join our small group of professional staff working on all the major annual financial events:

- monthly and quarterly accounts;
- annual budget;
- final and statutory accounts;
- tax computations.

Given the scale of these events in an international organisation with associated companies in the Commonwealth and Europe, it is essential that they are approached as a team. Strong interpersonal skills, a mature outlook and a flexible approach are prerequisites; the breadth of the job involves close liaison at all levels and although there is no direct staff responsibility, some supervisory experience is desirable.

The ideal candidate is likely to be a newly qualified graduate accountant with excellent spreadsheet skills (to macro level). Some experience in the preparation of corporation tax, statutory accounts and budgets would be an advantage.

Together with a competitive salary, we offer a range of benefits that include pension, subsidised private health insurance and company car.

If you meet our criteria and would like to be considered, please write a letter of application, enclosing a full cv to:

Christine Marchant, Senior Personnel Manager
Penguin Books Ltd, Bath Road, Harmondsworth
Middlesex UB8 3DA

South Birmingham HEALTH AUTHORITY

DIRECTOR OF FINANCE

Salary c. £47,000 plus p.r.p. plus lease car

The challenge is to ensure the Authority, in conjunction with other relevant organisations, maximises health gain for 425,000 people within a purchasing budget of £175 million a year.

You will possess a recognised CCAB qualification and preferably have Board level experience. Essential requirements are good interpersonal skills, strategic vision and a sense of humour.

Prospective applicants are invited to discuss the post informally with Ian Tyson on 021 456 5400.

Further details are available from Mrs K Blackford, Personal Assistant to Chairman, South Birmingham Health Authority, 27 Highfield Road, Edgbaston, Birmingham, B15 3DP to whom applications by CV should be addressed. The closing date for applications is 30 December 1993.



CHARTERED ACCOUNTANT FINANCIAL CONTROLLER

"BODFARI" is a dynamic company processing milk near Chester.

The Milk Marketing Board ceases operating on 31st March 1994. We have an opportunity to expand our business. A £2 million investment will enable us to accommodate milk from 200 farms. Turnover will increase from £10m to £30m.

This is a new position, salary circa £25k.

Apply in writing to
David Pickering F.C.A. Chairman,
Bodfari Producers Ltd
Marlston-cum-Lache
Chester CH4 9JS

FINANCIAL CONTROLLER

BIRMINGHAM c£28k + BENEFITS

Path Group is the country's leading distributor of RPI Accessories and related products. Our turnover is currently £20M and is steadily growing. This appointment, which is based in Birmingham and reports to the directors, offers broad financial responsibilities with the opportunity to extend your influence into key areas of general management.

The Financial Controller will be actively involved in commercial issues contributing wherever possible to future business growth, he or she will play a broad management role with company secretarial, personnel and IT responsibilities, as well as maintaining effective financial controls.

The position will suit a qualified accountant, with broadly based financial, administrative and management reporting experience gained in an entrepreneurial environment, he or she will have well developed commercial acumen coupled with a proven and up to date experience of the development and management of computer based systems.

Prospects for personal advancement are first class.

Please write including comprehensive Curriculum Vitae with full remuneration details to:

Key Graham, Regional Personnel Manager,
Grant Thornton, Brierley House,
115 Edmund Street, Birmingham, B3 2PL.

PATH
GROUP PLC

P.L.C.

COMPANY SECRETARY F.C.A. COMPUTER LITERATE

REQUIRED BY CLOTHING MANUFACTURING COMPANY BASED IN EAST LONDON.
TOP SALARY ACCORDING TO AGE & EXPERIENCE.

SEND C.V. TO BOX B1931, FINANCIAL TIMES,
ONE SOUTHWARK BRIDGE, LONDON SE1 9HL

French Speaking Qualified Accountant

25K neg

International luxury goods company friendly team environment, involvement, WE location, 3 yrs+ post qual. exp age to 35. Link Language Appointments 071 408 2150

Group Financial Controller

WILTSHIRE

Package Circa £35k

The JPI Group is an entrepreneurial group of companies building a market leading business in the property/leisure sectors.

Under the brand name The Watermark Club, the business has seen exceptional growth in recent years and future growth prospects have created the need to recruit a Group Financial Controller.

The successful candidate is likely to be an ambitious and commercially-minded Chartered Accountant with around 2 years post-qualification experience, and likely to thrive in a dynamic and entrepreneurial environment.

He or she will be expected to make a significant input to commercial decision making as part of the role.

Candidates should apply in writing with a comprehensive CV to:

Tim Bostwick,
Group Financial Director,
JPI Group Ltd.,
Brinkworth House,
Brinkworth, Chippenham,
Wiltshire SN15 5DF



CORPORATE FINANCE / M & A

Newly qualified ACA c. £25-28K & Banking Benefits

Our Client is a leading European Bank. Due to a continuing commitment to M&A activities, a vacancy has arisen at executive level.

This is a unique opportunity to join a top flight M&A team, and gain direct exposure to transaction activities from day one. Corporate culture demands a proactive approach which will be encouraged and guided to ensure transaction success and subsequent career advancement.

You will be a newly-qualified ACA aged 24-27, who can demonstrate a commitment to a career in corporate finance through special work or audit assignments. Alternatively you may already possess corporate finance experience with a major bank and are now looking for a bank which will allow greater responsibility.

European languages, with French and German being preferred, are essential. For further information please call John Dwyer on 071-438 9285. Or write to him, at The Zarak Hay Partnership, 6 Broad Street Place, Bedford Street, London EC4M 3PL.

THE ZARAK HAY PARTNERSHIP

مكتبة الامير